

Polaris MF Global Futures Co., Ltd

Financial Statements for the Three Months Ended

March 31, 2008 and 2007

Independent Accountants' Review Report

(Stock Code: 6023)

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

COVER PAGE.

CONTENTS OF FINANCIAL STATEMENTS

INDEPENDENT AUDITORS' REPORT

BALANCE SHEETS	1
INCOME STATEMENT	2
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY	3
STATEMENTS OF CASH FLOWS	4
NOTES TO FINANCIAL STATEMENTS	5
I. HISTORY AND ORGRNIZATION	5
II. SUMMARY OF IMPORTANT ACCOUNTING POLICIES	5
III. CAUSE AND IMPACT OF ACCOUNTING PRINCIPLES CHANGE	14
IV. EXPLANATIONS ON MAJOR ACCOUNTS	15
V. TRADES AMONG RELATED PARTIES	24
VI. ASSETS IN PLEDGE	28
VII. SIGNIFICANT COMMITMENT OR ACCEPTANCE	28
VIII. SIGNIFICANT LOSS DUE TO MAJOR DISASTERS	28
IX. DISCLOSURE OF INFORMATION AS RELATED TO INVESTMENT IN DERIVATIVE FINANCIAL INSTRUMENTS	28
X. RESTRICTIONS AND ENFORCEMENT OF THE COMPANY'S VARIOUS FINANCIAL RATIOS UNDER R.O.C. FUTURES TRADING LAW	32
XI. SPECIFIC INHERENT RISKS IN OPERATING AS FUTURES DEALER	32
XII. SEGMENT REPORTING	33
XIII. SIGNIFICANT ISSUES IN LATER TIMES	33

XIV. INFORMATION OF SIGNIFICANT TRADINGS	33
XV. INFORMATION OF REINVESTMENTS.....	33
XVI. INFORMATION OF INVESTMENT IN MAINLAND CHINA	33
XVII. OTHERS	33

INDEPENDENT ACCOUNTANTS REVIEW REPORT

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

We have reviewed the accompanying balance sheets of Polaris MF Global Futures Co., Ltd. as of March 31, 2008 and the related statements of income and cash flows for the three 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 reviews. The financial statements for the first quarter of the Year 2007 were audited by CPA M.L. and CPA P. Kao who issued modified unqualified opinion on April 16, 2007.

We conducted our reviews in accordance with SAS No.36 "Engagements to Review Financial Statements" to plan and execute reviewing tasks. We only provided analysis, comparability, and inquiry without following generally accepted auditing standards in the Republic of China; therefore, we could not express complete opinions for the financial statements mentioned above.

As the result of reviewing, we did not find material issues which violated general accepted accounting principles and required for corrections in the financial statements for the first quarter of the Year 2008 mentioned in the first paragraph.

As stated in Note III-(I) to the financial statements, effective January 1, 2008, the Company adopted the letter issued by the Accounting Research and Development Foundation in Taiwan in March, 2007 to classify the employees' profit sharing and bonus to directors and supervisors as expenses other than distribution of retained earnings. This change in accounting principle had decreased the Company's net income (after tax) by \$2,193 thousands for the first quarter of the Year 2008.

As stated in Note III-(II) to the financial statements, effective January 1, 2007, the Company adopted FASB No.37 "Accounting for Intangible Assets" and had no impact on financial statements for the first quarter of the Year 2007.

First Horwath & Company, CPAs

Taipei, Taiwan

Republic of China

April 11, 2008

Notice to Readers

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

Income Statement

For the period January 1 to March 31, 2008 and 2007

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

Descriptions	Note	Q1, 2008		Q1, 2007	
		Amount	%	Amount	%
REVENUES	(II)-15				
Brokerage		\$ 383,417	27	\$ 302,330	41
Clearance fee from consignment		1,071	-	561	-
Gain on disposal of derivative financial instruments	(II)-2	950,284	66	370,266	51
Other operating revenues		14,744	1	346	-
Nonoperating revenues		90,145	6	55,480	8
Total Revenues		<u>1,439,661</u>	<u>100</u>	<u>728,983</u>	<u>100</u>
EXPENSES	(II)-15				
Brokerage fee		(39,931)	(3)	(30,079)	(4)
Dealer handling fee		(3,820)	-	(1,757)	-
Futures commission		(111,516)	(8)	(85,326)	(12)
Clearance fee		(30,154)	(2)	(21,991)	(3)
Loss on disposal of derivative financial instruments	(II)-2	(836,061)	(58)	(306,472)	(42)
Operating expenses		(230,401)	(16)	(183,597)	(25)
Nonoperating expenses and losses		(32,669)	(2)	(8,603)	(1)
Total Expenses		<u>(1,284,552)</u>	<u>(89)</u>	<u>(637,825)</u>	<u>(87)</u>
Net income before income tax		155,109	11	91,158	13
Income tax expenses	(II)-14, (IV)-12	(27,778)	(2)	(18,659)	(3)
Net income		<u>127,331</u>	<u>9</u>	<u>72,499</u>	<u>10</u>
Earnings per share	(II)-18, (IV)-13				
Earnings per share before tax		\$ 1.41		\$ 0.93	
Income tax expenses		(0.25)		(0.19)	
Earnings per share (net of tax)		<u>\$ 1.16</u>		<u>\$ 0.74</u>	

Note1: Please refer to the accompanying notes of the financial statements and the audit report signed by CPA Eric Lin and Jason Chiu in First Horwath & Company, CPAs on April 11, 2008.

Note2: Reviewed, not audited for the three months ended March 31, 2008.

POLARIS MF GLOBAL FUTURES CO., LTD.
 Statements of Changes in Shareholders' Equity
 For the period January 1 to March 31, 2008
 (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
Appropriations of prior year's earnings						
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 after tax ended December 31, 2006	-	-	-	-	332,209	332,209
Balance, December 31, 2006	801,864	46,333	107,792	215,585	338,246	1,509,820
Appropriations of prior year's earnings						
Issuance of stock from cash	121,900	-	-	-	-	121,900
Additional paid-in capital from issuing stocks	-	361,300	-	-	-	361,300
Legal reserve	-	-	33,221	-	(33,221)	-
Special reserve	-	-	-	66,442	(66,442)	-
Employees' profit sharing - in stock	23,815	-	-	-	(23,815)	-
Bonus to directors and supervisors	-	-	-	-	(238)	(238)
Cash dividends to shareholders	-	-	-	-	(64,951)	(64,951)
Stock dividends to shareholders	149,147	-	-	-	(149,147)	-
Net Income after tax ended December 31, 2007	-	-	-	-	488,703	488,703
Balance, December 31, 2007	\$ 1,096,726	\$ 407,633	\$ 141,013	\$ 282,027	\$ 489,135	\$ 2,416,534

Note: Please refer to the accompanying notes of the financial statements and the audit report signed by CPA Eric Lin and Jason Chiu in First Horwath & Company, CPAs on April 11, 2008.

POLARIS MF GLOBAL FUTURES CO., LTD.

Statements of Cash Flows

For the period January 1 to March 31, 2008 and 2007

(In Thousands of New Taiwan Dollars)

	Q1, 2008	Q1, 2007
Cash flows from operating activities		
Net income	\$ 127,331	\$ 72,499
Adjustments		
Depreciation	8,064	7,561
Various amortization	2,710	4,558
Valuation (gain) loss on financial assets	(81)	(111)
Gain (loss) on disposal of short term investments	5,839	(717)
Reserve for breach of contract losses	7,690	6,058
Reserve for trading losses	(13,668)	7,379
(Increase) loss in call options	(8,962)	1,032
Increase (loss) in future trading margin-proprietary funds	(425,173)	53,416
Increase in margin deposits	(647,487)	267,257
Decrease in futures trading margin receivable	-	110
(Increase) decrease in accounts receivable	(1,134)	(9,576)
Increase in accounts receivable - related party	(205)	-
(Increase) decrease in other receivables	7,024	(374)
(Increase) decrease in prepayments	7,002	(4,482)
(Increase) decrease in deferred income tax assets	1,394	(3,446)
Decrease in other current assets	-	50
Increase (decrease) in put option liabilities	3,471	(106,391)
Increase in payables to customers	634,751	(261,958)
Increase (decrease) in notes payable	(5,559)	5,987
Increase (decrease) in accounts payable - non-related party	7,971	1,534
Increase in accounts payable - related party	1,765	2,252
Increase (decrease) in other accounts payable	54,650	20,585
Increase (decrease) in other current liabilities	(6,602)	(3,144)
Increase (decrease) in accrued pension liabilities	(546)	249
Net cash provided by (used in)operating activities	<u>(239,755)</u>	<u>60,328</u>
Cash flows from investing activities		
(Increase) decrease in open fund and monetary market tools	(5,763)	(14,560)
Acquisition of fixed assets	(15,841)	(134,882)
Increase in clearing and settlement funds	(1,000)	(9,000)
Decrease (increase) in refundable deposits	(2,150)	(60)
Decrease (increase) in deferred charges	(1,070)	(3,352)
Net cash used in investing activities	<u>(25,824)</u>	<u>(161,854)</u>
Cash flows from financing activities		
Increase in margin deposit	-	1,758
Net cash provided by (used in) financing activities	<u>-</u>	<u>1,758</u>
Net decrease in cash and cash equivalents	(265,579)	(99,768)
Cash and cash equivalents at the beginning of the year	1,752,346	770,684
Cash and cash equivalents at the end of the year	<u>1,486,767</u>	<u>670,916</u>
Supplemental Disclosures of cash flow information		
Interest paid	\$ 717	\$ 103
Income tax paid	<u>\$ 9,344</u>	<u>\$ 4,104</u>

Note1: Please refer to the accompanying notes of the financial statements and the audit report signed by CPA Eric Lin and Jason Chiu in First Horwath & Company, CPAs on April 11, 2008.

Note2: Reviewed, not audited for the three months ended March 31, 2008.

POLARIS MF GLOBAL FUTURES CO., LTD.

Notes to Financial Statements

For the three months March 31, 2008 and 2007

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

(Reviewed, not audited for the three months ended March 31, 2008)

(Not reviewed for the three months ended March 31, 2007)

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. On August 1, 1997, the Company following its foreign shareholders' global policy renamed as "Polaris MF Global Futures Co., Ltd. As of March 31, 2008, the Company has established four branches.

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

1. H401011 Futures commission;
2. H405011 Futures advisory enterprise;

As of March 31, 2008 and 2007, the Company had 299 and 263 employees, respectively.

II. Summary of important accounting policies

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

The important accounting policies are summarized as follows:

1. Cash and cash equivalents

Cash and cash equivalents shall include cash in 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 or 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 which is the date decided by the Company for purchase or sale of financial assets. Regular way purchase or sale of financial assets is transferred within the duration of time by the regular way of market of governed regulations.

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 followings:
 - 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, such as securities, open-end funds, monetary market instruments held through a brokerage, 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 for futures commission merchant is the premium paid 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 followings:
- 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 either.

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 shareholders' 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 without qualified 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 are depreciated 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) on disposal of assets is recognized as non-operating revenue (expenditure) in the period of sale or disposal.

6. Other intangible assets

Other intangible assets are stated in cost basis and use straight-line method for amortization. The cost of computer software is amortized by using the three-year or five-year straight-line method.

Acquired from the dissolved Company Refco Taiwan's business rights due to business merger. The residual lives is amortized by 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 amount 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 additional NT\$10 million in the same financial institution. Furthermore, under Article 11 of Rules Governing Futures Consultation Enterprise, the Company shall lodge NT\$10 million for operating futures consultation to the financial institution mention above.

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. After carrying 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. Under the same regulation, 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 is the trading deposits/premiums deposited by customers and the difference of close-market balance everyday. It can not be cancelled out except for the same customer with the same category of accounts. If payable to customer does occur, it should be classified as futures trading deposit receivable and regain from the customer.

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 engages in futures dealer business shall, on a monthly basis, set aside 10% from the realized net profit 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 portion of accumulated obligation payment exceeds fair value of pension fund assets, the Company states it as minimum pension liability in statement of balance sheet. 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 Futures traders' equity (i.e., Futures traders' equity 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 futures trader defaults and the company 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

The Company applies an inter-period allocation for its income tax whereby deferred income tax assets and liabilities are recognized for the tax effects of temporary differences and unused tax credits. Valuation allowances are provided to the extent, if any, that it is more likely than not that deferred income tax assets will not be realized. A deferred tax asset or liability is classified as current or noncurrent in accordance with the classification of its related asset or liability. However, if a deferred tax asset or liability does not relate to an asset or liability in the financial statements, then it is classified as either current or noncurrent based on the expected length of time before it is realized or settled.

Adjustments of prior years' tax liabilities are added to or deducted from the current period's tax provision.

Income tax on unappropriated earnings at a rate of 10% is expensed in the year of shareholder approval which is the year subsequent to the year the earnings are generated.

The R.O.C. government enacted the Alternative Minimum Tax Act (AMT Act), which became effective on January 1, 2006. The alternative minimum tax (AMT) imposed under the AMT Act is a supplemental tax levied at a rate of 10% which is payable if the income tax payable determined pursuant to the Income Tax Law is below the minimum

amount prescribed under the AMT Act. The taxable income for calculating the AMT includes most of the tax-exempt income under various laws and statutes. The Company has considered the impact of the AMT Act in the determination of its tax liabilities.

15. Revenue, cost, and expense

Revenue is recognized when it is realized or realizable and earned; the relevant costs match 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 estimates

Preparing the Company's financial statements in conformity with the R.O.C. generally accepted accounting principles requires the management to make estimates and assumptions that affect reported amounts of assets and liabilities, 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-month operating period are classified as current and the others are non-current.

18. Earning per common share

The calculation of earning 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 are calculated through retroactive adjustment.

19. Impairment of assets

The Company adopted SFAS No.35 "Accounting for Asset Impairment". According to SFAS No.35, the Company assesses at each balance sheet date whether there is any indications that an asset (individual asset or cash generation units) other than goodwill may have been impaired and estimate 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 belongs to is less than the carrying value of the unit, on an annual test basis, the Company shall recognize an impairment loss.

III. Accounting changes

- (1) Effective on January 1, 2008, the Company adopted Interpretation 2007-052, "Accounting for Bonuses to Employees, Directors and Supervisors" issued in March 2007 by the ARDF, which requires companies to record bonuses paid to employees, directors and supervisors as an expense rather than as an appropriation of earnings. The adoption of this interpretation resulted in a decrease in net income (after income tax) of NT\$2,193 thousand for the three months ended March 31, 2008.
- (2) The Company has adopted SFAS No.37 "Intangible Assets" effective January 1, 2007. The accounting change has no material effect on the Company's financial statements as of and for the three months ended March 31, 2007.

IV. Explanations on major accounts

1. Cash and cash equivalents

	<u>Mar. 31, 2008</u>	<u>Mar. 31, 2007</u>
Cash	\$ 200	\$ 216
Chenking account deposit	464	1,121
Demand deposit	77,827	105,782
Term deposit	1,200,000	276,700
Foreign currency deposit	8,542	7,691
Bill with repurchase terms	199,734	279,406
Total	<u>\$ 1,486,767</u>	<u>\$ 670,916</u>

(1) The bills with repurchase terms shall be valid from March 25, 2008 to April 22, 2008 and from March 26, 2007 to April 4, 2007 at the interest rate of 1.95%~2.02% and 1.635% to 1.66%, respectively.

(2) As of March 31, 2008, the aforementioned items have been free of any restriction in disbursement.

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

	<u>Mar. 31, 2008</u>	<u>Mar. 31, 2007</u>
Financial assets held for trading		
Securities	\$ 64,656	\$ 15,387
Call option contracts	27,280	25,533
Futures trading margins - house funds	977,419	555,040
Total	<u>\$ 1,069,355</u>	<u>\$ 595,960</u>

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

(2) As of March 31, 2008, the above financial assets were provided to be free of any pledges or collateral.

3. Margin deposits

	<u>Mar. 31, 2008</u>	<u>Mar. 31, 2007</u>
Customer margin deposit-Cash at banks	\$ 11,668,449	\$ 6,347,804
Customer margin deposit-clearinghouse	3,080,215	1,414,733
Customer margin deposit-Other FCMs	704,233	661,580
Total	<u>\$ 15,452,897</u>	<u>\$ 8,424,117</u>

Differences between margin deposits and futures traders' equity are described as follows:

	Mar. 31, 2008	Mar. 31, 2007
Balance of margin deposits	\$ 15,452,897	\$ 8,424,117
Minus:		
Accrued service charge and interest income	(12,478)	(13,836)
Futures trading tax	(2,998)	(1,898)
Incorrect desposits from customers	(17,915)	(4,978)
Total	<u>\$ 15,419,506</u>	<u>\$ 8,403,405</u>

4. Available for sale financial assets-non-current

Investees	Mar. 31, 2008			Mar. 31, 2007		
	Shares (thousands)	Amount	% of shareholding	Shares (thousands)	Amount	% of shareholding
Taiwan Futures Exchange Corporation	3,741	<u>\$35,510</u>	<u>1.70</u>	3,401	<u>\$35,510</u>	<u>1.70</u>

(1) 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.

(2) As of March 31, 2008 and 2007, available for sale financial assets were not pledged or mortgaged.

5. Fixed assets

(1) As of March 31, 2008

	Cost	Accumulated depreciation	Balance
Computer communication equipments	171,184	131,112	40,072
Office equipments	12,620	8,308	4,312
Transportation equipments	9,573	4,323	5,250
Leasehold improvement	27,436	16,296	11,140
Prepayment for equipments	20,343	-	20,343
Total	<u>\$241,156</u>	<u>\$160,039</u>	<u>\$81,117</u>

(2) As of March 31, 2007

	Cost	Accumulated depreciation	Balance
Land	\$ 161,046	\$ -	\$ 161,046
Buildings	87,429	2,619	84,810
Computer communication equipments	197,314	144,094	53,220
Office equipments	12,415	6,498	5,917
Transportation equipments	9,573	2,815	6,758
Leasehold improvement	26,036	11,925	14,111
Total	<u>\$ 493,813</u>	<u>\$ 167,951</u>	<u>\$ 325,862</u>

(3) The Company has provided land and buildings as collateral for the credit-line as of March 31, 2007.

(4) Insurance

Insurance	Mar. 31, 2008	Mar. 31, 2007	Remark
Building	\$ 32,000	\$ 32,000	March 31, 2008 and 2007 fire insurance (including comprehensive insurance)
Computer and office equipment	91,200	91,200	March 31, 2008 and 2007 fire insurance (including comprehensive insurance)
Leasehold improvement	28,300	28,300	March 31, 2008 and 2007 fire insurance (including comprehensive insurance)
Total	<u>\$ 151,500</u>	<u>\$ 151,500</u>	

A. The comprehensive insurances for 2008 and 2007 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 2008 and 2007.

6. Other assets

	Mar. 31, 2008	Mar. 31, 2007
Operations guarantee deposits	\$ 110,000	\$ 110,000
Clearing and settlement funds	167,000	149,000
Refundable deposits	8,064	4,444
Deferred charges	-	8,587
Deferred income tax assets - noncurrent	58,791	57,583
Total	<u>\$ 343,855</u>	<u>\$ 329,614</u>

7. Other payables

	<u>Mar. 31, 2008</u>	<u>Mar. 31, 2007</u>
Salary payable	\$ 12,019	\$ 10,189
Bonus payable	76,844	30,106
Interest payable	23,000	11,000
Labor and health insurance payable	2,703	2,594
Professional fees payable	8,314	2,769
Marketing expenses payables	8,604	10,649
Other expenses payable	17,737	10,903
Income tax payable	45,261	69,094
Other payables	21,822	18,100
Total	<u>\$ 216,304</u>	<u>\$ 165,404</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 Company recognized pension cost of \$801 and \$1,066 for the three months ended March 31, 2008 and 2007, respectively.

The Company contributes an amount equal to 2% of salaries paid each month to a pension fund (the Fund), which is administered by the Labor Pension Fund Supervisory Committee (the Committee) and deposited in the Committee's name in the Bank of Taiwan (originally the Central Trust of China, which was merged into the Bank of Taiwan on July 1, 2007). As of March 31, 2008 and 2007, the balance of the Fund was NT\$12,454 and NT\$10,520, respectively.

(2) Labor Pension Act (the "Act") has been enforced as of July 1, 2005 and adopts the defined-contribution scheme. The net pension cost contributed and recognized by the Company according to the Act for the three months ended March 2008 and 2007 were \$2,783 and \$2,644, respectively. The accrued pension liability booked as of March 31, 2008 and 2007 were \$957 and \$881, respectively.

9. Capital

Date	Registered capital	Paid-in capital	Par value	Remarks
Apr. 9, 1997	\$200,000	\$200,000	\$10	Initial capital upon founding
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
Sep. 11, 2007	801,864	801,864	10	Earnings converted for capital increase by 7,946,000 shares
Oct. 5, 2007	974,826	974,826	10	Capitalization of employee bonus and earnings 17,296,000 shares
Nov. 27, 2007	1,096,726	1,096,726	10	Capital increase in cash 12,190,000 shares

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) The employee bonus and payment to directors and supervisors payable for Q1 2008 is estimated based on the Company's Articles of Incorporation, historical distribution, and current period earning. The accrual payable for Q1 2008 is \$2,924.
- (4) 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.

The amounts of the appropriation of earnings for 2007, till the reporting date, have not yet been resolved by the Board of Directors. As for the detail of proposed distribution, refer to Market Observation Post System of Taiwan Stock Exchange.

The retained earnings for the year ended 2006 appropriated as employees bonus and directors and supervisors' remuneration are disclosed as follows.

	The actual distribution of number of shares resolved by the meeting of stockholders	Distribution of number of shares resolved 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 2005 have been assessed by the National Tax Administration (NTA). Additional income tax of \$1,025 were levied by the NTA for 1998. 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 on time, which is being reviewed by the NTA.
- (3) The Company's corporate income tax return for the year 2007 is under process.
- (4) Estimated income tax for Q1 2008 and 2007:

Items	March 31, 2008	March 31, 2007
Net profit before tax, at tax rate according to income tax law, ROC	\$ 38,767	\$ 22,779
Permanent differences:		
Unqualified tax adjustment	3	-
Bill interest levied separately	(322)	(241)
Valuation gains on financial assets	(20)	(28)
Gains on Securities transaction exempted from tax under Article 4-1 of Income Tax Law, ROC	14,396	(179)
Gains on futures transaction exempted from tax under Article 4-2 of Income Tax Law, ROC	1,460	(6,172)
Gains on futures transaction which is unrealized in the prior year and closed in the current year	1,338	12,031
Losses on option contracts which is unrealized in the prior year and closed in the current year	(444)	(8,911)
Losses on opened futures transaction in the current year	(26,881)	707
Gains on opened option contracts in the current year	(919)	(1,327)
Adjustment of prior income tax	400	-
Income tax expenses in the current period	27,778	18,659
Adjustment of temporary differences:		
Unrealized losses on foreign exchange in the prior period	-	(188)
Unrealized gains on foreign exchange in the prior period	1,202	13
Unrealized gains on foreign exchange in the current year	(520)	(1,025)
Unrealized trading losses	(3,417)	1,844
Unrealized breach of contract losses	1,923	1,515
Differences in pension cost and appropriation	100	262
Adjustment of prior income tax	(400)	-
Income tax prepaid	(8,944)	(4,104)
Income tax payable (Note)	<u>\$ 17,722</u>	<u>\$ 16,976</u>

Note1: Income tax payable as of March 31, 2008 did not include year 2007 income tax expense \$27,027 and \$512 for half of estimated administrative relief for year 2005.

Note2: Income tax payable as of March 31, 2007 did not include year 2006 income tax expense \$51,605 and \$512 for half of estimated administrative relief for year 2005.

(5) Effect of deferred income tax

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

	Mar. 31, 2008	Mar. 31, 2007
(A) Total deferred income tax assets	\$ 58,791	\$ 57,583
(B) Total deferred income tax liabilities	(520)	(1,025)
(C) Temporary differences (tax) arising from deferred income tax assets or liabilities		
• Payable provisional difference incurred by recognition of unrealized gains in foreign exchange	(520)	(1,025)
• Deductible provisional differences incurred by recognition of unrealized trading losses	3,701	10,503
• Deductible provisional difference incurred by recognition of unrealized losses in breach of contract	35,131	27,731
• Deductible provisional differences incurred by recognition of unrealized bad debts losses	15,651	15,651
• Deductible provisional difference incurred by recognition of pension cost under ROC SFAS No.18	4,308	3,698

B.

Items	Mar. 31, 2008		Mar. 31, 2007	
	Current	Noncurrent	Current	Noncurrent
Deferred income tax assets	\$ -	\$58,791	\$ -	\$57,583
Deferred income tax liabilities	(520)	-	(1,025)	-
Net deferred income tax assets (liabilities)	(\$520)	\$58,791	(\$1,025)	\$57,583

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

	Mar. 31, 2008	Mar. 31, 2007
Expected (actual) available ICA	\$ 117,996	\$ 61,318
Expected (actual) ratio of ICA	33.33%	33.34%

(7) Information of unappropriated retained earnings:

	Mar. 31, 2008	Mar. 31, 2007
Before 1997	\$ 432	\$ 1,021
After 1998	616,034	409,724
Total	\$ 616,466	\$ 410,745

13. Earnings per share

	Three months ended March	
	2008	2007
Net income after tax	\$ 127,331	\$ 72,499
Weighted-average number of common shares	109,673	80,186
Outstanding (thousand shares)- retroactive upon adjustment	109,673	97,483
EPS (in dollars)-retroactive upon adjustment	\$ 1.16	\$ 0.74

14. Expenses relating to employment, depreciation, and amortization for the three months ended March 31, 2008 and 2007 disclosed by function were as follow:

Function Character	Three months ended March 31					
	2008			2007		
	Operating cost	Operating expense	Total	Operating cost	Operating expense	Total
Employment						
Payroll	-	\$ 101,337	\$ 101,337	-	\$ 71,277	\$ 71,277
Labor and health insurance	-	3,643	3,643	-	3,462	3,462
Pension fund	-	3,584	3,584	-	3,710	3,710
Others	-	2,636	2,636	-	2,058	2,058
Depreciation	-	8,064	8,064	-	7,561	7,561
Amortization	-	2,710	2,710	-	4,558	4,558

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
Polaris International Investment Trust Co., Ltd. – Polaris 2001 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
MF Global Singapore Pte. Limited Taiwan Branch	Substantial related party
Refco Global Holdings, LLC Taiwan Branch	The USA headquarters is the Company's director; Note 2
Polaris Public Relations Consultants Ltd.	Substantial related party
Polaris Securities (Hong Kong) Limited	Polaris Securities Co., Ltd.'s subsidiary
Polaris-Propime Securities Investment Advisor Co., Ltd.	Polaris Securities Co., Ltd.'s subsidiary
Rosenthal Collins Group Ltd.	The chairman is the same as the Company's
Apex Investment Co., Ltd.	Substantial related party

Names of related parties	Relationship with the Company
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 Chairman is the chairman of Polaris Securities Co., Ltd.
Bank of Overseas Chinese	Substantial related party, Note 3
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
Ta, Chin-Yin	Vice general manager of the Company

Note 1: The Company's stocks owned by Refco Global holding company were transferred to MF Global Overseas Limited, England. Because those stocks were lost, the ex-right sentence was acquired on December 19, 2006. Both parties had completed the stock title transfer on March 7, 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.

Note 3: Bank of Overseas Chinese had merged with Citi Bank in December 2007 and was not related party with the Company on the date of merge.

2. Transactions with the related parties

(1) Brokerage Revenue

Name of related party	Three months ended March 31			
	2008		2007	
	Amount	%	Amount	%
Others	\$ 3,489	0.91%	\$ 2,491	0.82%

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	Three months ended March 31			
	2008		2007	
	Amount	%	Amount	%
Polaris Securities Co., Ltd.	\$ 50,892	45.64%	\$ 44,220	51.82%
MF Global Singapore Pte Ltd Taiwan Branch	33,118	29.70%	30,476	35.72%
Polaris Securities (Hong Kong) Limited	1,886	1.69%	1,357	1.59%
Total	<u>\$ 85,896</u>	<u>77.03%</u>	<u>\$ 76,053</u>	<u>89.13%</u>

There is no significant difference between related parties and nonrelated parties on futures broker commissions and re-consigned foreign futures trading commissions paid by the Company.

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

Name of related party	Three months ended March 31			
	2008		2007	
	Amount	%	Amount	%
Polaris Securities Co., Ltd.	<u>\$ 12</u>	<u>1.11%</u>	<u>\$ 3</u>	<u>0.87%</u>

- (4) Leasehold properties

Lessor	Premises in leasehold	Deposits	Rent expense for the three months ended March 31	
			2008	2007
Polaris Securities Co., Ltd.	5F-1, 151, Chongcheng 4th Rd., Kaohsiun	\$ -	\$ 36	\$ 24
	B1, 69, Sec. 2, Dun-hua S. Rd., Taipei (parking included)	100	124	162
	10F, 67 and 69, Sec. 2, Dun-hua S. Rd., Taipei (parking included)	1470	1487	-
	10F, 65 and 71, Sec. 3, Dun-hua S. Rd., Taipei (parking included)	1800	846	-
		<u>\$ 3,370</u>	<u>\$ 2,493</u>	<u>\$ 186</u>

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 for third parties.

(5) Credits and liabilities:

Items	Name of related party	Mar. 31, 2008		Mar. 31, 2007	
		Amount	%	Amount	%
Margin deposits - USD	MF Global Singapore Pte Ltd Taiwan Branch	\$ 515,230	3.33%	\$ 417,571	4.96%
Margin deposits - JPY	MF Global Singapore Pte Ltd Taiwan Branch	56,619	0.37%	38,399	0.46%
Margin deposits - GBP	MF Global Singapore Pte Ltd Taiwan Branch	360	-	4,091	0.05%
Margin deposits - EUR	MF Global Singapore Pte Ltd Taiwan Branch	22	-	472	-
Margin deposits - HKD	Polaris Securities (Hong Kong) Limited	14,401	0.09%	9,253	0.11%
Margin deposits - NTD	Bank of Overseas Chinese	-	-	1,277,901	15.17%
		<u>\$ 586,632</u>	<u>3.79%</u>	<u>\$ 1,747,687</u>	<u>20.75%</u>
Futures trading margins house fund-USD	MF Global Singapore Pte Ltd Taiwan Branch	\$ 171,889	17.59%	\$ 52,048	9.38%
Futures trading margins-house funds - JPY	MF Global Singapore Pte Ltd Taiwan Branch	32,572	3.33%	5,220	0.94%
Futures trading margins-house funds - HKD	Polaris Securities (Hong Kong) Limited	4,362	0.45%	5,904	1.06%
		<u>\$ 208,823</u>	<u>21.37%</u>	<u>\$ 63,172</u>	<u>11.38%</u>
Accounts receivable	Polaris Securities Co., Ltd.	\$ 230	13.95%	\$ 39	0.11%
Interest receivable	MF Global Singapore Pte Ltd Taiwan Branch	-	-	\$ 1,642	22.25%
Other receivable (dividend withhold tax)	MF Global Overseas Ltd.	-	-	\$ 5,704	40.92%
Futures traders' equity	TSE Capitalization Weighted Stock Index Fund	\$ 6,266	0.04%	\$ 3,678	0.04%
	Apex International Financial Engineering Res. & Tech. Co., Ltd.	7,309	0.05%	2,451	0.03%
	Polaris Securities Co., Ltd.	83,322	0.54%	108,737	1.30%
	Apex Investment Co., Ltd.	7,011	0.04%	8,630	0.10%
	Small Medium Cap Fund	13,898	0.09%	1,025	0.01%
	Silicon Valley Fund	-	-	2,003	0.02%
	Top 50 Tracker Fund	-	-	21,897	0.26%
	Various strategic Fund	-	-	1,067	0.01%
	2001 Fund	24,384	0.16%	-	-
	Yoing Investment Co., Ltd.	1,004	0.01%	1,003	0.01%
	Bank of Overseas Chinese	-	-	24,024	0.29%
	Ho Ming - Hong	123,357	0.80%	128,836	1.54%
	Ho Ming - Yu	85,018	0.55%	109,593	1.30%
	Pai Wen - Cheng	5	-	5	-
	Pai Che - Yu	1	-	1	-
	Pai Che - Ren	-	0.01%	555	0.01%
		<u>\$ 351,575</u>	<u>2.29%</u>	<u>\$ 413,505</u>	<u>4.92%</u>
Notes payable	Polaris Securities Co., Ltd.	-	-	\$ 682	11.39%
Accounts payable	Polaris Securities Co., Ltd.	\$ 19,096	32.73%	\$ 17,828	42.22%
	MF Global Singapore Pte Ltd Taiwan Branch	189	0.32%	221	0.52%
		<u>\$ 19,285</u>	<u>33.05%</u>	<u>\$ 18,049</u>	<u>42.74%</u>
Other payable	Polaris Reasearch Institute	-	-	\$ 700	0.42%
	MF Global Overseas Ltd.	-	-	9,536	5.77%
	Polaris Securities Co., Ltd.	12	-	-	-
		<u>\$ 12</u>	<u>0.00%</u>	<u>\$ 10,236</u>	<u>6.19%</u>

(6) Others

- A. The handling fees paid by the Company for placing the order by the house trading department with Polaris Securities Co., Ltd. in the first three months of 2008 and 2007 were \$10 and \$26, respectively. The transaction condition makes no different for third parties.

B. Others

Items	Name of related party	Three Months Ended March 31			
		2008		2007	
		Amount	%	Amount	%
Computing information fee	Apex International Financial Engineering Res. & Tech. Co., Ltd.	\$ 150	0.95%	\$ 261	1.72%
Marketing fee	Polaris Public Relations Consultants Limited	2,400	38.05%	1,200	15.19%
Interest income	MF Global Singapore Pte Ltd Taiwan Branch	3,118	4.95%	4,412	10.09%
	Bank of Overseas Chinese	-	-	5,067	11.58%
Professional fee	Polaris Securities Co., Ltd.	81	6.32%	21	3.76%
Donation	Polaris Research Institute	800	40.82%	700	100.00%
Bank deposits-house fund	Bank of Overseas Chinese	-	-	167,711	42.86%

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

VII. Significant Commitments and contingencies: Nil.

VIII. Significant losses due to major disasters: Nil.

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

- As of March 31, 2008 and 2007 the unexpired futures and option contracts are shown as follows:

A. As of March 31, 2008

Items	Trading category	Open position		Amount paid for (received from) premium	Fair value
		Buy / Sell	Number of contracts		
Futures contract (Domestic)	MTX	Sell	2,167	939,516	922,613
	CPF	Buy	3	24,167	24,159
		Sell	6	47,989	48,108
	XIF	Buy	1,301	1,393,036	1,437,608
	GTF	Buy	2	1,069	1,157
	TF	Buy	660	753,358	737,172
		Sell	2	2,202	2,186
	TX	Sell	1,792	3,067,265	3,052,904
	TE	Buy	1,399	1,736,522	1,774,107
	GBF	Buy	26	32,505	32,536
		Buy	20	103,644	103,200
	GDF	Buy	41	116,829	117,176
	TGF	Sell	3	8,181	8,547
		Buy	27	9,382	9,273
Futures contract (Abroad)	Index Futures	Sell	247	89,241	84,125
		Buy	2	9,055	8,842
	Precious metal Futures	Sell	17	32,495	32,405
		Buy	83	237,676	233,008
	Foreign exchange Futures	Sell	175	275,263	267,033
		Buy	47	186,287	188,354
	Agriculture Futures	Sell	25	96,137	95,878
		Buy	4	1,722	1,757

Items	Trading category	Open position		Amount paid for (received from) premium	Fair value	
		Buy / Sell	Number of contracts			
Option contract (Domestic)	TFO	Buy	10	\$ 64	\$ 64	
	TXO	Buy	1,071	13,034	12,480	
		Sell	4,440	17,909	13,883	
	TXO	Buy	1,724	18,973	13,952	
		Sell	1,281	12,700	7,382	
	AMO	Buy	45	325	248	
		Sell	9	77	68	
	AMO	Buy	5	63	77	
	XIO	Buy	10	49	37	
	XIO	Buy		10	125	123
	TEO	Sell	10	11	8	
	TEO	Buy	10	94	92	
		Sell	5	8	1	
	GTO	Buy	10	63	9	
		Sell	10	88	21	
	MSO	Buy	30	198	138	
		Sell	20	125	130	
	MSO	Buy	10	41	61	

B. As of March 31, 2007

Items	Trading category	Open position		Amount paid for (received from) premium	Fair value
		Buy / Sell	Number of contracts		
Futures contract (Domestic)	TX	Buy	82	\$ 81,474	\$ 80,926
		Sell	735	628,504	630,701
	GDF	Buy	2	4,413	4,458
		Sell	4	8,824	8,794
Futures contract (Abroad)	Index Futures	Sell	26	35,618	35,543
	Precious metal Futures	Buy	180	197,334	197,175
		Sell	233	189,354	188,910
	Foreign exchange Futures	Buy	23	81,648	81,532
	Energy Futures	Buy	4	7,927	8,714
		Sell	13	8,146	8,748
	Light merchandise Futures	Buy	1	400	399
Grains Futures	Buy	13	13,172	12,583	
Option contract (Domestic)	TXO	Sell	12	10,308	10,309
		Buy	1,583	18,859	23,691
	TXO	Sell	156	908	1,001
		Buy	397	2,200	1,842
	AFO	Sell	1,605	5,351	4,415
	Buy	5	8	-	

2. Fair value of financial assets and liabilities

Non-derivative instruments	Mar. 31, 2008		Mar. 31, 2007	
	Book value	Fair value	Book value	Fair value
Financial assets				
Cash and cash equivalents	\$ 1486,767	\$ 1486,767	\$ 670,916	\$ 670,916
Financial assets at fair value through profit or loss-current				
Securities	64,656	64,656	15,387	15,387
Derivative financial instruments	1,004,699	1,004,699	580,573	580,573
Available for sale financial assets-noncurrent	35,510	35,510	35,510	35,510
Refundable Deposits	8,064	8,064	4,444	4,444
Financial liabilities				
Financial liabilities at fair value through profit or loss-current				
derivative financial instrument	21,492	21,492	5,416	5,416
Derivative instruments				
Futures trading margins-house funds	977,419	977,419	555,040	555,040
Call Options-nonhedging	27,280	27,280	25,533	25,533
Put Option Liabilities	21,492	21,492	5,416	5,416

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, futures traders' equity, 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 available 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 March 31, 2008 and 2007, the fair value of the financial instruments, which were

based on quoted market value in active market or pricing model, were as follows:

	Mar. 31, 2008		Mar. 31, 2007	
	Quoted Market Value in active market	Pricing model	Quoted Market Value in active market	Pricing model
Financial assets				
Financial assets at fair value through profit or loss-current				
Securities	\$ 64,656	\$ -	\$ 15,387	\$ -
Derivative financial instruments				
Call option contracts	27,280	-	25,533	-
Future trading margins-house funds		977,419		555,040
Total	\$ 91,936	\$977,419	\$ 40,920	\$555,040
Financial liabilities				
Financial liabilities at fair value through profit or loss-current				
Derivative financial instruments				
Put option liabilities	\$ 21,492	\$ -	\$ 5,416	\$ -

4. All the financial assets are not pledged as of March 31, 2008 and 2007.

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 trading are evaluated at the fair market price enhance with the hedging policy to reduce the risk exposures.

Trading strategies consist of the market diversification in order to avoid a single market risk.

On March 31, 2008, within 95% of the confidence interval, VaR for one day is \$20,442. Average VaR for each trading day of the first quarter is \$13,875, the maximum is \$25,901 (on February 25, 2008), the minimum is \$5,660 (on January 30, 2008), and the standard deviation is \$5,831.

(2) Credit risk

All the Company's house 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	2,543,865	666.54%	1,582,318	514.96%	≥ 100%	Satisfactory to requirements
	Total liabilities – Futures traders' equity – Reserve for trading losses – Reserve for breach of contract losses	15,956,484 – 15,419,506 – 14,803 – 140,525		8,863,613 – 8,403,405 – 42,012 – 110,925			
17	Current assets	18,026,010	114.66%	9,726,262	112.74%	≥ 100%	Satisfactory to requirements
	Current liabilities	15,720,978		8,626,959			
22	Shareholders' equity	2,543,865	385.43%	1,582,319	239.75%	≥ 60%	Satisfactory to requirements
	Minimum paid-in capital	660,000		660,000		≥ 40%	
22	Post-adjustment net capital	2,117,053	64.47%	1,205,225	81.55%	≥ 20%	Satisfactory to requirements
	Total customer margin deposits required for futures traders, not yet offset	3,283,671		1,477,921		≥ 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 future dealer business is to trade futures or option contracts using the 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 makes the rate change significantly, the company hedges with foreign futures.

XII. Segment financial status: No need to be disclosed.

XIII. Significant subsequent events: Nil.

XIV. Others

1. Loan to others: Nil.
2. Guaranteed for others: Nil.
3. Acquisition of fixed assets up to one hundred million or 20% of paid-in capital: Nil.
4. Disposal of fixed assets up to one hundred million or 20% of paid-in capital: Nil.
5. Handling fee discount to related parties summed up to five million: Nil.
6. Accounts receivable – related parties up to one hundred million or 20% of paid-in capital: Nil.

XV. Re-investment information: Nil.

XVI. Investment in Mainland China: Nil.

XVII. Others:

2. 20% ownership of the Company held by the Refco Global Holdings, LLC has been auctioned by U.S. court and acquired by Man Financial Holdings Ltd. subsequently renamed as MF Global Overseas Limited. Please refer to note (V)-1.
3. The Company entered into a commercial contract with MF Global Singapore Pte Ltd. (prior name was Man Financial (S) Pte Ltd.) on February 6, 2006. MF Global Singapore Pte Ltd. licensed the Company to use its trademark in the Company's name

unconditionally. Therefore, the Company has renamed as "Polaris MF Global Futures Co., Ltd." after obtaining approval from the competent authority (prior name was: Polaris Man Financial Futures). The MF Global Singapore Pte. Ltd. has the first priority for the settlement of the Company's foreign futures trading, and the Company also provides MF Global Singapore Pte. Ltd. with the services related to futures trading in Taiwan.

4. The Company's internal auditor conducts internal auditing on weekly basis which includes all consignment orders, related procedures, and certificates and put into records as well. All documents mentioned above were audited by CPAs completely.