

Polaris MF Global Futures Co., Ltd

Financial Statements for the Six Months Ended

June 30, 2008 and 2007

Independent Auditors' Auditing 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.....	6
I. HISTORY AND ORGRNIZATION	6
II. SUMMARY OF IMPORTANT ACCOUNTING POLICIES	6
III. CAUSE AND IMPACT OF ACCOUNTING PRINCIPLES CHANGE.....	15
IV. EXPLANATIONS ON MAJOR ACCOUNTS.....	16
V. TRADES AMONG RELATED PARTIES.....	26
VI. ASSETS IN PLEDGE	30
VII. SIGNIFICANT COMMITMENT OR ACCEPTANCE	30
VIII. SIGNIFICANT LOSS DUE TO MAJOR DISASTERS.....	30
IX. DISCLOSURE OF INFORMATION AS RELATED TO INVESTMENT IN DERIVATIVE FINANCIAL INSTRUMENTS.....	30
X. RESTRICTIONS AND ENFORCEMENT OF THE COMPANY'S VARIOUS FINANCIAL RATIOS UNDER R.O.C. FUTURES TRADING LAW.....	34
XI. SPECIFIC INHERENT RISKS IN OPERATING AS FUTURES DEALER.....	34
XII. SEGMENT REPORTING.....	35
XIII. SIGNIFICANT ISSUES IN LATER TIMES.....	35

XIV. INFORMATION OF SIGNIFICANT TRADINGS	35
XV. INFORMATION OF REINVESTMENTS.....	35
XVI. INFORMATION OF INVESTMENT IN MAINLAND CHINA.....	36
XVII. OTHERS	36

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, 2008 and 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.

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 to plan and execute auditing tasks and reasonably believe there is no material misleading expressions of the related statements. An audit includes examining, on a test 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, 2008 and 2007, and the result of its operations and its cash flows for the period from January 1 to June 30, 2008 and 2007 are in conformity with futures and financial reporting standards and generally accepted accounting principles in the Republic of China.

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 \$4,487 thousands for the first half of the Year 2008.

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

The details and descriptions of the Polaris MF Global Futures Co., Ltd.'s financial statements were majorly provided support and analysis. We tested the data by method mentioned in second paragraph. As to our opinion, those details and description of Polaris MF Global Futures Co., Ltd.'s financial statements were based on those mentioned in the third paragraph and represented the financial statements of Polaris MF Global Futures Co., Ltd. as of the first half of the Year 2008.

First Horwath & Company, CPAs

Taipei, Taiwan

Republic of China

July 21, 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.

Notes to Financial Statements

For the six months ended June 30, 2008 and 2007

(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. On August 1, 1997, the Company following its foreign shareholders' global policy renamed as "Polaris MF Global Futures Co., Ltd. As of June 30, 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 June 30, 2008 and 2007, the Company had 306 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 everyday.

Call options for futures commission merchant is the premium paid for purchasing call 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 or 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 cost in the end of the period.

4. Held to maturity financial assets

Held to maturity financial assets are those non-derivate financial assets classified as having fixed or determinable receivable and maturity date and are willing and capable to be held till maturity date. The cost of held to maturity financial assets are valued by interest method (while the difference is minor, straight-line method is adopted) after amortization. For initially recognized, the cost includes trading costs for acquisition and issuance and recognize profit or loss after deleting, value impairment, or amortization. A regular way purchase or sale of financial assets is accounted for using trade date accounting and recognize profit or loss if applicable. If the impairment amount decreases and obviously related to consequences after impairment loss, it is reversed and classified as profit in current period. Such reversed amount should not make the book value greater than amortization cost before recognizing impairment loss.

5. 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.

6. 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.

7. 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.

8. 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.

9. 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.

10. 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.

11. 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.

12. 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.

13. 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 of no less than 6% of the employees' monthly wages.

14. 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.

15. Income tax

In accordance with SFAS No.22 "Accounting for income tax" for inter-period and intra-period allocation for its income tax. The effect of income tax from taxable temperate difference is classified as deferred income tax liability and the income from deductible temperate difference, allowance for losses, and deduction for income tax are classified as deferred income tax assets. After analyzing the feasibility of income tax assets, recognize the allowance for reserve amount.

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.

16. 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.

17. 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.

18. 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.

19. 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.

20. 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\$4,487 thousand for the six months ended June 30, 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 six months ended June 30, 2007.

IV. Explanations on major accounts

1. Cash and cash equivalents

	<u>June 30, 2008</u>	<u>June 30, 2007</u>
Cash	\$ 200	\$ 200
Checking account deposit	221	213
Demand deposit	86,112	67,034
Term deposit	1,180,200	136,200
Foreign currency deposit	5,108	3,989
Bill with repurchase terms	259,655	148,923
Total	<u>\$ 1,531,496</u>	<u>\$ 356,559</u>

- (1) The bills with repurchase terms shall be valid from June 23, 2008 to July 2, 2008 and from June 23, 2007 to July 6, 2007 at the interest rate of 2.03%~2.05% and 1.805% to 1.90%, respectively.
- (2) As of June 30, 2008, 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, 2008</u>	<u>June 30, 2007</u>
Financial assets held for trading		
Securities	\$ 89,614	\$ 93,724
Open funds	1,838	5,002
Call option contracts	42,949	72,533
Futures trading margins - house funds	862,761	1,162,117
Total	<u>\$ 997,162</u>	<u>\$ 1,333,376</u>

- (1) Future trading margins-house funds were the operating fund of futures trading business.
- (2) As of June 30, 2008, the above financial assets were provided to be free of any pledges or collateral.

3. Margin deposits

	<u>June 30, 2008</u>	<u>June 30, 2007</u>
Customer margin deposit-Cash at banks	\$ 13,361,950	\$ 7,520,857
Customer margin deposit-Clearinghouse	1,578,481	2,411,231
Customer margin deposit-Other FCMs	771,407	636,031
Total	<u>\$ 15,711,838</u>	<u>\$ 10,568,119</u>

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

	June 30, 2008	June 30, 2007
Balance of margin deposits	\$ 15,711,838	\$ 10,568,119
Minus:		
Accrued service charge	(17,426)	(10,944)
Accrued interest income	(997)	(429)
Futures trading tax	(2,614)	(2,512)
Incorrect desposits from customers	(4,618)	(2,972)
Total	<u>\$ 15,686,183</u>	<u>\$ 10,551,262</u>

4. Available for sale financial assets-non-current

(1) As of June 30, 2008

Investees	June 30, 2008		
	Shares (thousands)	Amount	% of shareholding
Taiwan Futures Exchange Corporation	3,741	<u>\$35,510</u>	1.70%

(2) As of June 30, 2007

Investees	June 30, 2007		
	Shares (thousands)	Amount	% of shareholding
Taiwan Futures Exchange Corporation	3,401	<u>\$35,510</u>	1.70%

(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, 2008 and 2007, available for sale financial assets were not pledged or mortgaged.

5. Held to maturity financial assets – non-current

	June 30, 2008	June 30, 2007
A96103	<u>\$ 94,229</u>	<u>-</u>

(1) Government bonds coded A96103 face value \$100,000 thousand, 10 year period, interest payable annually, coupon rate 1.875%, paid in maturity, effective rate 2.622%, and maturity date is on March 16, 2018.

(2) As of June 30, 2008, financial assets are not pledged or mortgaged.

6. Fixed assets

(3) As of June 30, 2008

	Cost	Accumulated depreciation	Balance
Computer communication equipments	\$ 173,717	\$ 135,550	\$ 38,167
Office equipments	12,803	8,701	4,102
Transportation equipments	9,573	4,675	4,898
Prepayment for equipments	6,988	-	6,988
Leasehold improvement	47,086	18,472	28,614
Total	<u>\$ 250,167</u>	<u>\$ 167,398</u>	<u>\$ 82,769</u>

(4) 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 improvement	26,036	12,815	13,221
Total	<u>\$ 357,225</u>	<u>\$ 175,212</u>	<u>\$ 182,013</u>

(5) Insurance

Insurance	June 30, 2008	June 30, 2007	Remark
Building	\$ 32,000	\$ 32,000	June 30, 2008 and 2007 fire insurance (including comprehensive insurance)
Computer and office equipment	91,200	91,200	June 30, 2008 and 2007 fire insurance (including comprehensive insurance)
Leasehold improvement	28,300	28,300	June 30, 2008 and 2007 fire insurance (including comprehensive insurance)
Total	<u>\$ 151,500</u>	<u>\$ 151,500</u>	

A. The comprehensive insurances for the first six months of 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 the first six months of 2008 and 2007.

7. Other assets

	June 30, 2008	June 30, 2007
Operations guarantee deposits	\$ 120,000	\$ 110,000
Clearing and settlement funds	167,000	150,000
Refundable deposits	6,578	4,459
Deferred charges	-	8,107
Deferred income tax assets - noncurrent	57,089	48,881
Leased assets - Land	-	91,733
Leased assets - Building	-	49,395
Accumulated depreciation - leased assets	-	(571)
Total	<u>\$ 350,667</u>	<u>\$ 462,004</u>

Note: The Company purchased building and land of 10F, No. 65, 2nd Section, Dunhua S. Rd., Taipei and 10F, No. 71, 2nd Section, Dunhua S. Rd., Taipei on February 15, 2007 and leased to the third party on February 16, 2007. Leasing period is from February 16 to December 31, 2007. During the period, sublet, lending or title transfer should acquire the prior written approval from the leaser. The leasing contract should be filed for approval with the administrative authority and then take effect.

8. Other payables

	June 30, 2008	June 30, 2007
Salary payable	\$ 12,464	\$ 10,598
Bonus payable	86,673	28,336
Interest payable	2,500	3,500
Labor and health insurance payable	2,754	2,556
Professional fees payable	7,039	5,479
Marketing expenses payables	7,900	10,549
Other expenses payable	23,398	8,375
Income tax payable	45,119	36,708
Dividend payable to shareholders	126,123	64,951
Other payables	5,526	2,447
Total	<u>\$ 319,496</u>	<u>\$ 173,499</u>

9. 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 \$1,602 and \$2,132 for the first half of the years 2008 and 2007, respectively. As of June 30, 2008 and 2007, the balance of pension account in Central Trust of China were \$12,820 and \$10,907, 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 six months ended June 30, 2008 and 2007 were \$5,621 and \$6,076, respectively. The accrued pension liability booked as of June 30, 2008 and 2007 were \$975 and \$872, respectively.

10. 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

Note: The shareholders' meeting in 2008 resolved the earnings (including employees' bonus for \$27,400) converted for capital increase by \$216,037 and filed and approved by Financial Supervisory Commission, Executive Yuan with case No.7-0970032354 on June 30, 2008.

11. 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.

12. Distribution of unappropriated 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 directors and supervisors payable for first half of 2008 is estimated based on the Company's Articles of Incorporation, past experience, and current period earning. The accrual payable for first half of 2008 is \$5,983.
- (4) After the imputation system enforced in 1998, 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.

- (5) The retained earnings distributed as employees' bonus and directors' bonus are disclosed detailed as following: (as for the detail of proposed distribution, refer to market Observation Post System of Taiwan Stock Exchange)

	2007			
	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	2,740	2,740	-	-
(b) Amount	27,400	27,400	-	-
(c) Percentage of number of shares outstanding at the end of the current year	2.50%	2.50%	-	-
(3) Directors' and supervisors' remuneration	343	343	-	-
2. Earnings per share				
(1) Original earnings per share	\$4.96	\$4.96	-	-
(2) Imputed earnings per share	\$4.67	\$4.67	-	-

13. 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 was levied by the NTA for 1998 which was record as income tax expense in 2005. The Company did not agree for the result and filed for administrative relief to the Taiwan High Court which is still under review.
- (2) The Company already filed its corporate income tax return for the years 2007 and 2006 on time which is under reviewed by the NTA.

(3) Estimated income tax for the first half of 2008 and 2007:

Items	June 30, 2008	June 30, 2007
Net profit before tax, at tax rate according to income tax law, ROC	\$ 75,880	\$ 56,475
Permanent differences:		
Bill interest levied separately	(534)	(474)
Exemption of cash dividends	(935)	(116)
Valuation gains (losses) on financial assets	1,074	(1,903)
Loss or gains on Securities transaction exempted from tax under Article 4-1 of Income Tax Law, ROC	3,182	221
Loss or gains on futures transaction exempted from tax under Article 4-2 of Income Tax Law, ROC	(31,778)	7,895
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)
(Gains) or losses on unlearned futures trading in current period	18,670	(41,111)
(Gains) or losses on unlearned options trading in current period	(4,387)	25,877
Adjustment complied with tax regulations	7	7
Income tax expenses in the current period	62,073	49,991
Adjustment for prior income tax expenses	9,193	1,603
Income tax expenses	71,266	51,594
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 period	1,173	328
Unrealized trading losses	(7,118)	(8,658)
Unrealized breach of contract losses	3,812	3,147
Differences in pension cost and appropriation	209	432
Adjustment of prior income tax	(9,193)	(1,603)
Income tax prepayment	(16,745)	(8,870)
Income tax payable (Note)	\$ 44,606	\$ 36,195

Note: Excluding half of the estimated administrative relief of income tax in 2005 for \$513.

(4) Effect of deferred income tax

A.

	June 30, 2008	June 30, 2007
(A) Total deferred income tax assets	\$ 58,262	\$ 49,209
(B) Total deferred income tax liabilities	-	-
(C) Temporary differences (tax) arising from deferred income tax assets or liabilities		
Payable provisional difference incurred by recognition of unrealized gains in foreign exchange	(1,173)	(328)
Deductible provisional differences incurred by recognition of unrealized trading losses	37,021	29,363
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	4,417	3,867

B. Deferred income tax assets (liability)

Items	June 30, 2008		June 30, 2007	
	Current	Noncurrent	Current	Noncurrent
Deferred income tax assets	\$1,173	\$57,089	\$328	\$48,881
Deferred income tax liabilities	-	-	-	-
Net deferred income tax assets (liabilities)	\$1,173	\$57,089	\$328	\$48,881

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

	June 30, 2008	June 30, 2007
Expected (actual) available ICA	\$ 113,996	\$ 114,944
Expected (actual) ratio of ICA	23.33%	33.33%

(6) Information of unappropriated retained earnings:

	June 30, 2008	June 30, 2007
Before 1997	\$ 21	\$ 432
After 1998	232,292	174,347
Total	\$ 232,313	\$ 174,779

14. Earnings per share

	June 30, 2008	June 30, 2007
Net income after tax	\$ 232,293	\$ 174,347
Outstanding (thousand shares)- retroactive upon adjustment	109,673	80,186
Weighted-average number of common shares (thousand shares)	109,673	97,483
EPS (in dollars)-retroactive upon adjustment	\$ 2.12	\$ 1.79

15. Expenses relating to employment, depreciation, and amortization for the six months ended June 30, 2008 and 2007 disclosed by function were as follow:

Function Character	June 30, 2008			June 30, 2007		
	Operating cost	Operating expense	Total	Operating cost	Operating expense	Total
Employment						
Payroll	\$ -	\$ 184,828	\$ 184,828	-	\$ 133,664	\$ 133,664
Labor and health insurance	-	7,400	7,400	-	7,148	7,148
Pension fund	-	7,223	7,223	-	8,208	8,208
Others	-	4,091	4,091	-	3,526	3,526
Depreciation	-	15,423	15,423	-	14,822	14,822
Amortization	-	5,318	5,318	-	9,282	9,282

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
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 100% reinvestment
Rosenthal Collins Group Ltd.	The chairman is the same as the Company's
Apex Investment Co., Ltd.	Substantial related party
Yoing Investment Co., Ltd.	Substantial related party

Names of related parties	Relationship with the Company
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 2
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: 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	Six months ended June 30			
	2008		2007	
	Amount	%	Amount	%
Others	\$ 2,827	0.37%	\$ 5,365	0.86%

There is no significant difference between related parties and non-related 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	Six months ended June 30			
	2008		2007	
	Amount	%	Amount	%
Polaris Securities Co., Ltd.	\$ 102,598	46.51%	\$ 94,905	53.35%
Polaris Securities (Hong Kong) Limited	2,902	1.32%	2,950	1.66%
MF Global Singapore Pte Ltd Taiwan Branch	64,889	29.41%	60,284	33.89%
Total	<u>\$ 170,389</u>	<u>77.24%</u>	<u>\$ 158,139</u>	<u>88.90%</u>

There is no significant difference between related parties and non-related 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	Six months ended June 30			
	2008		2007	
	Amount	%	Amount	%
Polaris Securities Co., Ltd.	\$ 15	1.26%	\$ 7	-

- (4) Leasehold properties

Lessor	Premises in leasehold	Deposits	Rent expense for the six months ended June 30	
			2008	2007
Polaris Securities Co., Ltd.	5F-1, 151, Chongcheng 4th Rd., Kachsiun	\$ -	\$ 72	\$ 72
	B1, 69, Sec. 2, Dun-hua S. Rd., Taipei (parking included)	100	372	348
	10F, 67 and 69, Sec. 2, Dun-hua S. Rd., Taipei (parking included)	1,470	2,948	-
	10F, 65 and 71, Sec. 2, Dun-hua S. Rd., Taipei (parking included)	1,800	2,659	-
		<u>\$ 3,370</u>	<u>\$ 6,051</u>	<u>\$ 420</u>

Lease 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	June 30, 2008		June 30, 2007	
		Amount	%	Amount	%
Margin deposits - NTD	Bank of Overseas Chinese	\$0	-	\$747,766	7.09%
Margin deposits - HKD	Polaris Securities (Hong Kong) Limited	13,402	0.09%	14,035	0.13%
Margin deposits - USD	MF Global Singapore Pte Ltd Taiwan Branch	551,582	3.51%	438,218	4.15%
Margin deposits - JPY	MF Global Singapore Pte Ltd Taiwan Branch	57,941	0.37%	61,608	0.58%
Margin deposits - GBP	MF Global Singapore Pte Ltd Taiwan Branch	1,160	0.01%	518	-
Margin deposits - EUR	MF Global Singapore Pte Ltd Taiwan Branch	5,621	0.04%	783	-
		<u>\$ 629,706</u>	<u>4.02%</u>	<u>\$ 1,262,928</u>	<u>11.95%</u>
Futures trading margins-house funds - HKD	Polaris Securities (Hong Kong) Limited	\$ 5,581	0.65%	\$ 5,699	0.49%
Futures trading margins house fund-USD	MF Global Singapore Pte Ltd Taiwan Branch	155,574	18.03%	60,780	5.23%
Futures trading margins-house funds - JPY	MF Global Singapore Pte Ltd Taiwan Branch	27,264	3.16%	6,311	0.54%
		<u>\$ 188,419</u>	<u>21.84%</u>	<u>\$ 72,790</u>	<u>6.26%</u>
Accounts receivable	Polaris Securities Co., Ltd.	\$ 77	32.63%	\$ 122	3.47%
Interest receivable	MF Global Singapore Pte Ltd. Taiwan Branch	-	-	\$ 1,999	24.92%
Futures traders' equity	TSE Capitalization Weighted Stock Index Fund	\$ 7,618	0.05%	\$ 4,271	0.04%
	Apex International Financial Engineering Res. & Tech. Co., Ltd.	5,003	0.03%	2,367	0.02%
	Polaris Securities Co., Ltd.	68,060	0.43%	84,960	0.81%
	Apex Investment Co., Ltd.	367	-	8,779	0.09%
	Small Medium Cap Fund	13,259	0.08%	1,026	0.01%
	Silicon Valley Fund	-	-	2,004	0.02%
	2001 Fund	34,790	0.22%	-	-
	Top 50 Tracker Fund	5,939	0.04%	41,389	0.39%
	Yoing Investment Co., Ltd.	-	-	1,004	0.01%
	Ho Ming - Hong	121,232	0.77%	123,254	1.17%
	Ho Ming - Yu	109,845	0.70%	90,877	0.86%
	Lee Wen - Shing	-	-	19,162	0.18%
	Pai Wen - Cheng	5	-	5	-
	Pai Che - Yu	1	-	1	-
	Pai Che - Ren	-	-	511	-
		<u>\$ 366,119</u>	<u>2.32%</u>	<u>\$ 379,610</u>	<u>3.60%</u>
Accounts payable	Polaris Securities Co., Ltd.	\$ 16,744	48.76%	\$ 17,905	36.56%
	MF Global Singapore Pte Ltd Taiwan Branch	398	1.16%	205	0.42%
		<u>\$ 17,142</u>	<u>49.92%</u>	<u>\$ 18,110</u>	<u>36.98%</u>
Other payable	Polaris Securities Co., Ltd.	\$ 12	-	\$ 23	0.01%

(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 six months of 2008 and 2007 were \$129 and \$80, respectively. The transaction condition makes no different for third parties.

B. Others

Items	Name of related party	Six Months Ended June 30			
		2008		2007	
		Amount	%	Amount	%
Computing information fee	Apex International Financial Engineering Res. & Tech. Co., Ltd.	\$ 300	2.68%	\$ 448	1.48%
Marketing fee	Polaris Public Relations Consultants Limited	4,000	35.74%	2,400	17.88%
Interest income	MF Global Singapore Pte Ltd Taiwan Branch	5,445	3.31%	10,186	10.43%
Professional fee	Bank of Overseas Chinese	-	-	9,209	9.43%
Donation	Polaris Securities Co., Ltd.	181	72.11%	71	2.02%
Bank deposits-house fund	Polaris Research Institute	800	25.32%	700	56.00%
Interest expense	Bank of Overseas Chinese	-	-	28,719	13.84%
	MF Global Singapore Pte Ltd Taiwan Branch	-	-	3	-

VI. Pledge of Assets: Nil.

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 June 30, 2008 and 2007 the unexpired futures and option contracts are shown as follows:

A. As of June 30, 2008

Items	Trading category	Open position		Amount paid for (received from) premium	Fair value
		Buy / Sell	Number of contracts		
Futures contract (Domestic)	MTX	Buy	1	363	363
		Sell	2,769	1,091,278	1,024,983
	XIF	Buy	1,117	1,098,463	1,016,135
		Sell	70	67,497	62,502
	GTF	Buy	1	474	475
		Sell	1	469	468
	TF	Buy	679	704,900	671,938
		Sell	53	54,628	51,778
	TX	Sell	1,117	1,689,887	1,647,745
	TE	Buy	1,461	1,763,143	1,662,875
		Sell	103	133,892	114,133
	CPF	Sell	1	8,048	8,048
	GDF	Buy	2	5,442	5,666
		Sell	2	5,413	5,652
TGF	Buy	29	9,649	9,903	
	Sell	8	2,720	2,726	
Futures contract (Abroad)	Index Futures	Buy	7	24,007	24,120
		Sell	459	413,667	409,813
	Precious metal Futures	Buy	148	174,660	175,993
		Sell	104	180,908	181,784
	Foreign exchange Futures	Buy	38	158,061	158,544
		Sell	7	25,139	25,172
	Agriculture Futures	Buy	2	2,707	2,608
		Sell	2	3,386	3,526
	Soft merchandise Futures	Buy	3	1,517	1,485

Items	Trading category	Open position		Amount paid for (received from) premium	Fair value
		Buy / Sell	Number of contracts		
Option contract (Domestic)	TFO call	Sell	10	\$ 37	\$ 8
	TXO call	Buy	1,065	3,793	2,505
		Sell	8,606	14,074	6,719
	TXO put	Buy	1,434	27,146	40,264
		Sell	331	5,745	7,361
	AMO call	Sell	5	23	56
	AMO put	Buy	5	67	82
	XIO call	Buy	40	124	6
		Sell	40	206	110
	XIO put	Buy	10	65	52
	TEO call	Sell	10	33	14
	GTO call	Buy	7	16	1
		Sell	10	39	4
	MSO call	Sell	30	44	49
	MSO put	Buy	10	45	40
		Sell	10	29	55

B. 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)	MTX	Buy	1,071	\$ 468,061	\$ 471,409	
		Sell	162	70,970	70,977	
	TX	Buy	5,587	9,667,643	9,838,800	
		Sell	107	182,861	187,452	
	TF	Buy	1	1,044	1,029	
		Sell	31	31,311	32,050	
	TE	Sell	253	380,031	383,420	
	GDF	Buy	9	19,319	19,277	
	Futures contract (Abroad)	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	
GBF		Buy	4	14,133	14,160	
Option contract (Domestic)	MSO call	Buy	30	144	70	
		Sell	10	17	8	
	MSO put	Sell	20	72	51	
	TFO call	Buy	10	8	1	
	TFO put	Sell	10	26	29	
	TXO call	Buy	1,379	7,903	9,403	
		Sell	23,188	292,330	379,449	
	TXO put	Buy	22,554	81,406	63,059	
	Sell	661	702	191		

2. Fair value of financial assets and liabilities

Non-derivative instruments	June 30, 2008		June 30, 2007	
	Book value	Fair value	Book value	Fair value
Financial assets				
Cash and cash equivalents	\$ 1,531,496	\$ 1,531,496	\$ 356,559	\$ 356,559
Financial assets at fair value through profit or loss - current				
Opened funds	1,838	1,838	5,002	5,002
Securities	89,614	89,614	93,724	93,724
Derivative financial instruments	905,710	905,710	1,234,650	1,234,650
Available for sale financial assets-	35,510	35,510	35,510	35,510
Non-current				
Held to maturity financial instruments – non-current	94,229	94,229	-	-
Refundable Deposits	6,578	6,578	4,459	4,459
Financial liabilities				
Financial liabilities at fair value through profit or loss-current				
derivative financial instrument	14,375	14,375	379,728	379,728
Derivative instruments				
Futures trading margins-house funds	862,761	862,761	1,162,117	1,162,117
Call Options – non-hedging	42,949	42,949	72,533	72,533
Put Option Liabilities	14,375	14,375	379,728	379,728

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 June 30, 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:

	June 30, 2008		June 30, 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				
Opened funds	\$ 1,838	\$ -	\$ 5,002	\$ -
Securities	89,614	-	93,724	-
Derivative financial instruments				
Call option contracts	42,949	-	72,533	-
Future trading margins-house funds	-	862,761	-	1,162,117
Total	\$ 134,401	\$862,761	\$ 171,259	\$1,162,117
Financial liabilities				
Financial liabilities at fair value through profit or loss-current				
Derivative financial instruments				
Put option liabilities	\$ 14,375	\$ -	\$ 379,728	\$ -

4. All the financial assets are not pledged as of June 30, 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 June 30, 2008, within 95% of the confidence interval, VaR for one day is \$13,240. Average VaR for each trading day of the first half of this year is \$14,810, the maximum is \$25,900 (on February 25, 2008), the minimum is \$5,660 (on January 30, 2008), and the standard deviation is \$4,670.

(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	2,522,360	529.46%	1,618,978	234.04%	≥ 100%	Satisfactory to requirements
	Total liabilities – Futures traders' equity – Reserve for trading losses – Reserve for breach of contract losses	16,310,669 – 15,686,183 – 0 – 148,085		11,360,458 – 10,551,262 – 0 – 117,452			
17	Current assets	18,258,465	113.53%	12,274,713	110.01%	≥ 100%	Satisfactory to requirements
	Current liabilities	16,081,971		11,157,865			
22	Shareholders' equity	2,522,360	382.18%	1,618,978	245.30%	≥ 60%	Satisfactory to requirements
	Minimum paid-in capital	660,000		660,000		≥ 40%	
22	Post-adjustment net capital	2,286,739	125.95%	662,420	20.04%	≥ 20%	Satisfactory to requirements
	Total customer margin deposits required for futures traders, not yet offset	1,815,635		3,305,650		≥ 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 monitory 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:

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.