

Polaris MF Global Futures Co., Ltd

Financial Statements for the

Three Months Ended March 31, 2009 and 2008 and

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 ACCOUNTANTS' REVIEW REPORT	
BALANCE SHEETS .....	1
INCOME STATEMENT .....	2
STATEMENTS OF CASH FLOWS.....	3
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.....	14
V.   TRADES AMONG RELATED PARTIES .....	23
VI.  ASSETS IN PLEDGE .....	26
VII. SIGNIFICANT COMMITMENT OR ACCEPTANCE.....	27
VIII. SIGNIFICANT LOSS DUE TO MAJOR DISASTERS.....	27
IX.  DISCLOSURE OF INFORMATION AS RELATED TO INVESTMENT IN DERIVATIVE FINANCIAL INSTRUMENTS.....	27
X.   RESTRICTIONS AND ENFORCEMENT OF THE COMPANY'S VARIOUS FINANCIAL RATIOS UNDER R.O.C. FUTURES TRADING LAW.....	31
XI.  SPECIFIC INHERENT RISKS IN OPERATING AS FUTURES DEALER.....	31
XII. SEGMENT REPORTING.....	32
XIII. SIGNIFICANT ISSUES IN LATER TIMES.....	32
XIV. INFORMATION OF SIGNIFICANT TRADINGS.....	32

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  
Polaris MF Global Futures Co., Ltd.

We have reviewed the accompanying balance sheets of Polaris MF Global Futures Co., Ltd. as of March 31, 2009 and 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 issue a report on these financial statements based on our reviews. The financial statements of the Company's investee, MF Global Futures Trust Co.,Ltd. were not audited by us but by accountants of another firm, therefore the amounts of MF Global Futures Trust Co.,Ltd. stated in these financial statements were based on the audit reports issued by another accounting firm. As of March 31, 2009, the amount of long-term investment in MF Global Futures Trust Co.,Ltd. was \$99,710 thousands and held up to 0.48% of total assets value. From January 1 to March 31, 2009, the investment loss to MF Global Futures Trust Co.,Ltd. was \$280 thousands and held up to 0.16% of net income before tax.

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 mentioned in the first paragraph.

As stated in Note III 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.

First Horwath & Company, CPAs

Taipei, Taiwan

Republic of China

April 13, 2009

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.

Statement of Balance Sheets

March 31, 2009 and 2008

(In thousands of New Taiwan Dollars, Except Par Value)

ASSETS	March 31, 2009		March 31, 2008		Note	LIABILITIES AND SHAREHOLDERS' EQUITY		March 31, 2009		March 31, 2008	
	Amount	%	Amount	%		Amount	%	Amount	%	Amount	%
<b>CURRENT ASSETS</b>	\$ 20,164,533	97	\$ 18,026,010	98		<b>CURRENT LIABILITIES</b>		\$ 17,474,416	84	\$ 15,720,978	85
Cash and cash equivalents	1,633,408	8	1,486,767	8	(II)-1, (IV)-1	Financial liabilities at fair value through profit or loss		2,408	-	21,492	-
Financial assets at fair value through profit or loss	1,468,867	7	1,069,355	6	(II)-2, (IV)-2	Future traders' equity		17,023,884	82	15,419,506	84
Margin deposits	17,041,077	82	15,452,897	84	(II)-5, (IV)-3, (V)	Notes payable		-	-	846	-
Futures trading margin receivable	-	-	55	-		Accounts payable-non-related parties		38,710	-	39,063	-
Securities borrowed guarantee deposits	114	-	-	-		Accounts payable-related parties	(V)	16,382	-	19,285	-
Accounts Receivable-non-related parties	1,936	-	1,419	-	(V)	Other payables	(IV)-7	385,862	2	216,304	1
Accounts Receivable-related parties	112	-	230	-	(V)	Other current liabilities		7,170	-	4,482	-
Other current assets	19,019	-	15,287	-		<b>OTHER LIABILITIES</b>		271,146	1	235,506	1
	135,220	1	35,510	-		Reserve for breach of contract losses	(II)-11	171,824	1	140,525	1
<b>FUNDS AND INVESTMENTS</b>	35,510	-	35,510	-	(II)-3, (IV)-4	Reserve for trading losses	(II)-12	17,898	-	14,803	-
Available for sale financial assets-noncurrent	98,710	1	-	-	(II)-4, (IV)-4	Accrued pension liabilities	(II)-13, (IV)-8	19,336	-	17,574	-
Long-term equity investment under equity method	85,309	-	81,117	-	(II)-6, (IV)-5	Reserve for bad debts losses	(II)-14	62,288	-	62,604	-
<b>FIXED ASSETS</b>	204,524	1	193,377	1		<b>TOTAL LIABILITIES</b>		17,745,562	85	15,956,484	86
Equipments	9,603	-	20,343	-		Capital stock	(IV)-9	1,312,763	6	1,096,726	6
Prepayment for equipments	54,440	-	27,436	-		Common stock		1,312,763	6	1,096,726	6
Leasehold improvements	(183,258)	(1)	(160,039)	(1)		Capital surplus		407,633	2	407,633	2
Less : accumulated depreciation	8,949	-	13,857	-		Premium from business merger		46,333	-	46,333	-
<b>INTANGIBLE ASSETS</b>	2,364	-	2,364	-	(II)-13	Premium from issuing stocks		361,300	2	361,300	2
Deferred pension costs	6,585	-	11,493	-	(II)-7	Retained earnings		1,309,737	7	1,039,506	6
Other intangible assets	381,684	2	343,855	2	(IV)-6	Legal reserve		189,884	1	141,013	1
<b>OTHER ASSETS</b>	145,000	1	110,000	1	(II)-8	Special reserve	(IV)-10	379,767	2	282,027	2
Operations guarantee deposits	161,000	1	167,000	1	(II)-9	Unappropriated retained earnings	(IV)-11	740,086	4	616,466	3
Clearing and settlement funds	7,983	-	8,064	-		<b>TOTAL SHAREHOLDERS' EQUITY</b>		3,030,133	15	2,543,865	14
Refundable deposits	67,701	-	58,791	-	(II)-15, (IV)-12	<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		\$ 20,775,695	100	\$ 18,500,349	100
Deferred income tax assets-non-current											
<b>TOTAL ASSETS</b>	\$ 20,775,695	100	\$ 18,500,349	100							

Note1: Please refer to the accompanying notes of the financial statements and the review report signed by CPA Eric Lin and Jason Chiu in First Horwath & Company, CPAs on April 13, 2009.

Note2: Reviewed, not audited for the three months ended March 31, 2009.

POLARIS MF GLOBAL FUTURES CO., LTD.

Income Statements

For The Three Months Ended March 31, 2009 and 2008

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

Descriptions	Note	March 31, 2009		March 31, 2008	
		Amount	%	Amount	%
<b>REVENUES</b>	(II)-16				
Brokerage		\$ 339,900	30	\$ 383,417	27
Clearance fee from consignment		2,175	-	1,071	-
Gain on derivative financial instruments		677,911	60	950,284	66
Advisory revenues		432	-	-	-
Other operating revenues		7,930	1	14,744	1
Nonoperating revenues		106,193	9	90,145	6
<b>Total Revenues</b>		<u>1,134,541</u>	<u>100</u>	<u>1,439,661</u>	<u>100</u>
<b>EXPENSES</b>	(II)-16				
Brokerage fee		( 34,158)	( 3)	( 39,931)	( 3)
Dealer handling fee		( 2,946)	-	( 3,820)	-
Futures commission		( 98,186)	( 9)	( 111,516)	( 8)
Clearance fee		( 26,427)	( 2)	( 30,154)	( 2)
Loss on derivative financial instruments		( 602,789)	( 53)	( 836,061)	( 58)
Futures administrative fee		( 26)	-	-	-
Operating expenses		( 181,356)	( 16)	( 230,401)	( 16)
Nonoperating expenses and losses		( 8,746)	( 1)	( 32,669)	( 2)
<b>Total Expenses</b>		<u>( 954,634)</u>	<u>( 84)</u>	<u>( 1,284,552)</u>	<u>( 89)</u>
<b>Net income before income tax</b>		179,907	16	155,109	11
<b>Income tax expenses</b>	(II)-15, (IV)-12	( 39,475)	( 4)	( 27,778)	( 2)
<b>Net income</b>		<u>\$ 140,432</u>	<u>12</u>	<u>\$ 127,331</u>	<u>9</u>
<b>Earnings per share</b>	(II)-19, (IV)-13				
Earning before income tax		\$ 1.37		\$ 1.18	
Income tax expense		( 0.30)		( 0.21)	
<b>Net earning after tax</b>		<u>\$ 1.07</u>		<u>\$ 0.97</u>	

Note1: Please refer to the accompanying notes of the financial statements and the review report signed by CPA Eric Lin and Jason Chiu in First Horwath & Company, CPAs on April 13, 2009

Note2: Reviewed, not audited for the three months ended March 31, 2009.

POLARIS MF GLOBAL FUTURES CO., LTD.  
 Statements of Cash Flows  
 For The Three Months Ended March 31, 2009 and 2008  
 (In Thousands of New Taiwan Dollars)

	March 31, 2009	March 31, 2008
Cash flows from operating activities		
Net income	\$ 140,432	\$ 127,331
Adjustments		
Depreciation	7,913	8,064
Various amortization	1,436	2,710
Loss on investment under equity method	280	-
Loss (gain) on disposal of investments	( 102)	5,839
Valuation loss (gain) on financial assets	1,054	( 81)
Reserve for breach of contract losses	6,841	7,690
Reserve for trading losses	(7,849)	(13,668)
Loss on disposal of fixed assets	64	-
(Increase) Decrease in call options	259	( 8,962)
Increase in futures trading margins - house fund	( 106,720)	( 425,173)
Increase in futures trading margin-securities	( 15,788)	-
Increase in margin deposits	( 848,567)	( 647,487)
Decrease in securities borrowed guarantee deposits	11,249	-
Increase in accounts receivable	( 1,017)	( 1,134)
Decrease in other receivables	15,882	7,024
Increase in accounts receivable-related party	( 109)	( 205)
Decrease in prepayment	831	7,002
Decrease in deferred income tax assets (net)	143	1,394
Decrease in other current assets	65	-
Increase (Decrease) in put option liabilities	( 31,296)	3,471
Increase in future traders' equity	844,231	634,751
Decrease in notes payable	-	( 5,559)
Increase in accounts payable-non-related party	3,926	7,971
Increase (Decrease) in accounts payable-related party	( 1,384)	1,765
Increase (Decrease) in other payables	( 1,005)	54,650
Increase (Decrease) in other current liabilities	( 2,539)	( 6,602)
Increase (Decrease) in accrued pension liabilities	1,960	( 546)
Net cash provided by (used in) operating activities	<u>20,190</u>	<u>( 239,755)</u>

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Cash flows from investing activities

Increase in open fund and monetary market tools	-	( 5,763)
Acquisition of fixed assets	( 2,419)	( 15,841)
Sale of fixed assets	1,375	-
Acquisition of long-term equity investments	( 59,990)	-
Increase in deferred pension costs	( 1,522)	( 1,070)
Increase in clearing and settlement funds	( 5,000)	( 1,000)
Increase in refundable deposits	( 135)	( 2,150)
Net cash provided by (used in) investing activities	<u>( 67,691)</u>	<u>( 25,824)</u>
Decrease in cash and cash equivalents	( 47,501)	( 265,579)
Cash and cash equivalents at the beginning of the period	<u>1,680,909</u>	<u>1,752,346</u>
Cash and cash equivalents at the end of the period	<u>\$ 1,633,408</u>	<u>\$ 1,486,767</u>
Supplemental Disclosures of cash flow information		
Interest paid	<u>\$ 189</u>	<u>\$ 717</u>
Income tax paid	<u>\$ 10,020</u>	<u>\$ 9,344</u>

Note1: Please refer to the accompanying notes of the financial statements and the review report signed by CPA Eric Lin and Jason Chiu in First Horwath & Company, CPAs on April 13, 2009.

Note2: Reviewed, not audited for the three months ended March 31, 2009.

POLARIS MF GLOBAL FUTURES CO., LTD.

Notes to Financial Statements

For the three months ended March 31, 2009 and 2008

(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, 2009)

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, 2009, the Company has established five branches.

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

1. H401011 Futures commission;
2. H405011 Futures advisory enterprise;
3. H407011 Managed futures enterprise.

As of March 31, 2009 and 2008, the Company had 328 and 299 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. 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 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 five branches. Under the same article, for futures proprietary merchant and futures advisory enterprise shall each lodge additional NT\$10 million in the same financial institution. Furthermore,

under Article 11 of Standards Governing the Establishment of Managed Futures Enterprises, the Company shall lodge NT\$25 million for operating managed futures enterprise 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 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

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.

## 21. Bonus paid to employees, directors and supervisors

According to ARDF Interpretation 2007-052, "Accounting for Bonuses to Employees, Directors and Supervisors", possesses with the lawful and uncertain obligations and the amounts are reasonably estimated, that the item should be classified as expense and liability. Also the item should be classified as operating cost and expense. If a difference occurs between the shareholders resolution and financial report, it will be classified as estimated changes and will be the current profits or losses.

### III. Accounting changes

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 \$2,193 thousands for the three months ended March 31, 2009.

### IV. Explanations on major accounts

#### 1. Cash and cash equivalents

	<u>Mar. 31, 2009</u>	<u>Mar. 31, 2008</u>
Cash	\$ 200	\$ 200
Checking account deposit	798	464
Demand deposit	94,021	77,827
Term deposit	1,443,200	1,200,000
Foreign currency deposit	15,280	8,542
Bill with repurchase terms	79,909	199,734
Total	<u>\$ 1,633,408</u>	<u>\$ 1,486,767</u>

- (1) The bills with repurchase terms shall be valid from March 3, 2009 to April 24, 2009 and from March 25, 2008 to April 22, 2008 at the interest rates of 0.3% and 1.95%~2.02%, respectively.
- (2) As of March 31, 2009, 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, 2009</u>	<u>Mar. 31, 2008</u>
Financial assets held for trading		
Securities	\$ 3,461	\$ 64,656
Call option - non-hedge	2,327	27,280
Future trading margins – house funds	1,293,546	977,419
Future trading margins – securities	169,533	-
Total	<u>\$ 1,468,867</u>	<u>\$ 1,069,355</u>

- (1) Future trading margins-house funds and securities were the operating fund of futures trading business.
- (2) As of March 31, 2009, the above financial assets were provided to be free of any pledges or collateral.

### 3. Margin deposits

	Mar. 31, 2009	Mar. 31, 2008
Customer margin deposit-Cash at banks	\$ 15,033,082	\$ 11,668,449
Customer margin deposit-clearinghouse	1,073,410	3,080,215
Customer margin deposit-Other FCMs	934,585	704,233
Total	<u>\$ 17,041,077</u>	<u>\$ 15,452,897</u>

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

	Mar. 31, 2009	Mar. 31, 2008
Balance of margin deposits	\$ 17,041,077	\$ 15,452,897
Minus:		
Accrued service charge and interest income	( 10,518)	( 12,478)
Futures trading tax	( 1,087)	( 2,998)
Incorrect desposits from customers	( 5,588)	( 17,915)
Total	<u>\$ 17,023,884</u>	<u>\$ 15,419,506</u>

### 4. Funds and long-term investments

#### (1) Available for sale financial assets – non-current

Investees	Mar. 31, 2009			Mar. 31, 2008		
	Shares (thousands)	Amount	% of shareholding	Shares (thousands)	Amount	% of shareholdir
Taiwan Futures Exchange Corporation	3,992	\$35,510	1.70	3,741	\$35,510	1.7

Note: 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) Long-term equity investment under equity method

Investees	Mar. 31, 2009			Mar. 31, 2008		
	Shares (thousands)	Amount	% of shareholding	Shares (thousands)	Amount	% of shareholding
MF Global Futures Trust Co.,Ltd.	9,999	\$99,710	33.33	-	\$ -	-

Note: The Company obtains 9,999 thousands shares of MF Global Futures Trust Co.,Ltd. in 2009 and holds 33.33% of shareholdings, therefore equity method is adopted for evaluation. \$280 thousands are recognized as investment loss in Q1 2009.

(3) As of March 31, 2009, the above financial assets were provided to be free of any pledges or collateral.

5. Fixed assets

(1) As of March 31, 2009

	Cost	Accumulated depreciation	Balance
Computer communication equipments	\$ 181,755	\$ 143,760	\$ 38,015
Office equipments	16,005	9,708	6,297
Transportation equipments	6,744	4,243	2,501
Leasehold improvement	54,440	25,547	28,893
Prepayment for equipments	9,603	-	9,603
<b>Total</b>	<b>\$ 268,567</b>	<b>\$ 183,258</b>	<b>\$ 85,309</b>

(2) 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
<b>Total</b>	<b>\$ 241,156</b>	<b>\$ 160,039</b>	<b>\$ 81,117</b>

(3) Insurance

Insurance	Mar. 31, 2009	Mar. 31, 2008	Remark
Building	\$ -	\$ 32,000	fire insurance (including comprehensive insurance)
Computer and office equipment	93,200	91,200	fire insurance (including comprehensive insurance)
Leasehold improvement	34,100	28,300	fire insurance (including comprehensive insurance)
<b>Total</b>	<b>\$ 127,300</b>	<b>\$ 151,500</b>	

A. The comprehensive insurances for Q1 2009 and 2008 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 Q1 2009 and 2008.

6. Other assets

	Mar. 31, 2009	Mar. 31, 2008
Operations guarantee deposits	\$ 145,000	\$ 110,000
Clearing and settlement funds	161,000	167,000
Refundable deposits	7,983	8,064
Deferred income tax assets - non-current	67,701	58,791
Total	<u>\$ 381,684</u>	<u>\$ 343,855</u>

7. Other payables

	Mar. 31, 2009	Mar. 31, 2008
Salary payable	\$ 13,224	\$ 12,019
Bonus payable	169,243	76,844
Interest payable	13,528	23,000
Labor and health insurance payable	3,719	2,703
Professional fees payable	9,805	8,314
Marketing expenses payable	19,000	8,604
Other accrued expenses	28,002	17,737
Income tax payable	119,376	45,261
Other payables	9,965	21,822
Total	<u>\$ 385,862</u>	<u>\$ 216,304</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 \$799 and \$801 for the three months ended March 31 2009 and 2008, respectively. As of March 31, 2009 and 2008, the balance of pension account in Central Trust of China was \$14,186 and \$12,454, respectively.
- (2) Labor Pension Act (the "Act") has been enforced on 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 31, 2009 and 2008 were \$3,049 and \$2,783, respectively. The accrued pension liability booked as of March 31, 2009 and 2008 were \$1,023 and \$957, 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
Sept. 1, 2003	1,095,800	1,095,800	10	Capital increased 46,580,000 shares due to business merger
Nov. 19, 2003	645,000	645,000	10	Retirement of stock capital 45,080,000 shares
Aug. 31, 2005	722,400	722,400	10	Earnings converted for capital increase by 7,740,000 shares
Sept. 11, 2006	801,864	801,864	10	Earnings converted for capital increase by 7,946,000 shares
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
Jul. 30, 2008	1,312,763	1,312,763	10	Capitalization of employee bonus and earnings 21,604,000 shares

## 10. Special reserve

Under Article 18 of Rules Governing Futures Commission Merchants issued by 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 2009 and 2008 is estimated based on the Company's Articles of Incorporation, historical distribution, and current period earning. The accrual payable for Q1 2009 and 2008 are \$6,302 thousands and \$2,924 thousands, respectively.
- If the board modified the estimates significantly in the subsequent periods, the company will recognize the change as an adjustment to current income. Moreover, if the amounts were modified by the shareholders' meeting of the following year, the adjustment will be regarded as a change of accounting estimate and will be reflected in the statement of income in the following year.
- (4) After the imputation system was 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 resolved by the stockholder meeting	Distribution 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 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	-	-

## 12. Income tax

- (1) The Company's income tax returns through 2006 have been assessed by the National Tax Administration (NTA). Additional income tax of \$625 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 2007 on time, which is being reviewed by the NTA.
- (3) The Company is in the process of filing its corporate income tax return for the year 2008.
- (4) Estimated income tax for Q1 2009 and 2008:

Items	Mar. 31, 2009	Mar. 31, 2008
Net profit before tax, at tax rate according to income tax law, ROC	\$ 44,967	\$ 38,767
Permanent differences:		
Adjustment complied with tax regulations	-	3
Bill interest levied separately	( 14)	( 322)
Investment loss under equity method	70	-
Valuation loss (gains) on financial assets	263	( 20)
Loss or gains on Securities transaction exempted from tax under Article 4-1 of Income Tax Law, ROC	( 26)	14,396
Loss or gains on futures transaction exempted from tax under Article 4-2 of Income Tax Law, ROC	( 24,713)	1,460
Gains on futures transaction which is unrealized in the prior period and closed in the current period	500	1,338
Losses on option contracts which is unrealized in the prior period and closed in the current period	( 136)	( 444)
Loss (gains) on unrealized futures trading in current period	18,331	( 26,881)
Loss (gains) on unrealized options trading in current period	233	( 919)
Adjustment of prior income tax	-	400
Income tax expenses in the current period	<u>39,475</u>	<u>27,778</u>
Adjustment of temporary differences:		
Unrealized gain on foreign currency exchange in the prior period and is realized in the current period	5,202	1,202
Unrealized gains on foreign currency exchange in the current period	( 4,848)	( 520)
Unrealized loss on foreign currency exchange in the current period	88	-
Unrealized trading losses	( 1,962)	( 3,417)
Unrealized breach of contract losses	1,710	1,923
Differences in pension cost and appropriation	109	100
Adjustment of prior income tax	-	( 400)
Income tax prepaid	( 10,020)	( 8,944)
Income tax payable (Note)	<u>\$ 29,754</u>	<u>\$ 17,722</u>

Note 1: The income tax payable of March 31, 2009, which excludes the income tax payable in 2008 for \$89,310 thousands and half of the estimated administrative relief of income tax in 2005 for \$312 thousands.

Note 2: The income tax payable of March 31, 2008, which excludes the income tax payable in 2007 for \$27,027 thousands and half of the estimated administrative relief of income tax in 2005 for \$512 thousands.

(5) Effect of deferred income tax

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

	Mar. 31, 2009	Mar. 31, 2008
(A) Total deferred income tax assets	\$ 67,789	\$ 58,791
(B) Total deferred income tax liabilities	( 4,848)	( 520)
(C) Temporary differences (tax) arising from deferred income tax assets or liabilities		
• Taxable provisional differences incurred by recognition of unrealized foreign exchange gain	( 4,848)	( 520)
• Deductible provisional differences incurred by recognition of unrealized foreign exchange losses	88	-
• Deductible provisional differences incurred by recognition of unrealized trading losses	4,474	3,701
• Deductible provisional difference incurred by recognition of unrealized losses on breach of contract	42,906	35,131
• Deductible provisional differences incurred by recognition of unrealized bad debts losses	15,572	15,651
• Deductible provisional difference incurred by recognition of pension cost under ROC SFAS No.18	4,749	4,308

B. Deferred income tax assets (liabilities)

Items	Mar. 31, 2009		Mar. 31, 2008	
	Current	Noncurrent	Current	Noncurrent
Deferred income tax assets	\$ 88	\$ 67,701	\$ -	\$ 58,791
Deferred income tax liabilities	( 4,848)	-	( 520)	-
Net deferred income tax assets (liabilities)	(\$ 4,760)	\$ 67,701	(\$ 520)	\$ 58,791

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

	Mar. 31, 2009	Mar. 31, 2008
Expected (actual) available ICA	\$ 181,019	\$ 117,996
Expected (actual) ratio of ICA	33.33%	33.33%

(7) Information of unappropriated retained earnings:

	Mar. 31, 2009	Mar. 31, 2008
Before 1997	\$ 432	\$ 432
After 1998	739,654	616,034
Total	\$ 740,086	\$ 616,466

### 13. Earnings per share

	Mar. 31, 2009	Mar. 31, 2008
Net income after tax	\$ 140,432	\$ 127,331
Outstanding (thousand shares)	131,276	109,673
Weighted-average number of common shares retroactive upon adjustment (thousand shares)	131,276	131,276
EPS (in dollars)-retroactive upon adjustment	\$ 1.07	\$ 0.97

### 14. Expenses relating to employment, depreciation, and amortization for the three months ended March 31, 2009 and 2008 disclosed by function were as follow:

Function  Character	Three months ended March 31					
	2009			2008		
	Operating cost	Operating expense	Total	Operating cost	Operating expense	Total
Employment						
Payroll	\$ -	\$ 86,853	\$ 86,853	\$ -	\$ 101,337	\$ 101,337
Labor and health insurance	-	5,031	5,031	-	3,643	3,643
Pension fund	-	3,848	3,848	-	3,584	3,584
Others	-	2,718	2,718	-	2,636	2,636
Depreciation	-	7,913	7,913	-	8,064	8,064
Amortization	-	1,436	1,436	-	2,710	2,710

## 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 Securities 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	Substantial related party
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 subsidiary
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 former chairman of Polaris Securities Co., Ltd.
Ho Ming-Yu	A relative of the Company's chairman
Pai Wen-Cheng	The former Chairman of Polaris Securities Co., Ltd., Note
Pai Che-Yu	A relative of the parent Company's former chairman
Pai Che-Ren	A relative of the parent Company's former chairman
Ho Ming-Hong	The Chairman of the Company

Note: Deceased.

## 2. Transactions with the related parties

### (1) Brokerage revenue

Name of related party	Three months ended March 31			
	2009		2008	
	Amount	%	Amount	%
Others	\$ 1,413	0.42%	\$ 3,489	0.91%

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			
	2009		2008	
	Amount	%	Amount	%
Polaris Securities Co., Ltd.	\$ 37,390	38.08%	\$ 50,892	45.64%
MF Global Singapore Pte Ltd Taiwan Branch	36,085	36.75%	33,118	29.70%
Polaris Securities (Hong Kong) Limited	-	-	1,886	1.69%
Total	\$ 73,475	74.83%	\$ 85,896	77.03%

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			
	2009		2008	
	Amount	%	Amount	%
Polaris Securities Co., Ltd.	\$ 2	2.50%	\$ 12	1.11%

(4) Leasehold properties

Lessor	Premises in leasehold	Deposits	Rent expense for the three months ended March 31	
			2009	2008
Polaris Securities Co., Ltd.	5F-1, 151, Chongcheng 4th Rd., Kaohsiung	\$ 150	\$ 134	\$ 36
	B1, 69, Sec. 2, Dun-hua S. Rd., Taipei (parking lot included)	100	186	124
	10F, 65, 67, 69 and 71, Sec. 2, Dun-hua S. Rd., Taipei (parking lot included)	3,270	3,379	2,333
	Total	\$ 3,520	\$ 3,699	\$ 2,493

Lease between the Company and associated parties, rent 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, 2009		Mar. 31, 2008	
		Amount	%	Amount	%
Margin deposits - USD	MF Global Singapore Pte Ltd Taiwan Branch	\$ 647,750	3.80%	\$ 515,230	3.33%
Margin deposits - JPY	MF Global Singapore Pte Ltd Taiwan Branch	100,786	0.59%	56,619	0.37%
Margin deposits - GBP	MF Global Singapore Pte Ltd Taiwan Branch	4,032	0.02%	360	-
Margin deposits - EUR	MF Global Singapore Pte Ltd Taiwan Branch	10,643	0.06%	22	-
Margin deposits - HKD	MF Global Singapore Pte Ltd Taiwan Branch	28,798	0.17%	14,401	0.09%
		\$ 792,009	4.64%	\$ 586,632	3.79%
Futures trading margins house fund - USD	MF Global Singapore Pte Ltd Taiwan Branch	\$ 570,345	44.09%	\$ 171,889	17.59%
Futures trading margins-house funds - JPY	MF Global Singapore Pte Ltd Taiwan Branch	20,637	1.60%	32,572	3.33%
Futures trading margins-house funds - HKD	MF Global Singapore Pte Ltd Taiwan Branch	14,000	1.08%	4,362	0.45%
Futures trading margins-house funds - GBP	MF Global Singapore Pte Ltd Taiwan Branch	391	0.03%	-	-
Futures trading margins-house funds - EUR	MF Global Singapore Pte Ltd Taiwan Branch	2,248	0.17%	-	-
		\$ 607,621	46.97%	\$ 208,823	21.37%
Accounts receivable	Polaris Securities Co., Ltd.	\$ 112	5.47%	\$ 230	13.95%
Futures traders' equity	Stock Index Fund	\$ 18,559	0.11%	\$ 6,266	0.04%
	Apex International Financial	2,423	0.01%	7,309	0.05%
	Polaris Securities Co., Ltd.	124,313	0.73%	83,322	0.54%
	Apex Investment Co., Ltd.	367	-	7,011	0.04%
	Small Medium Cap Fund	13,995	0.08%	13,898	0.09%
	2001 Fund	-	-	24,384	0.16%
	Polaris Securities Co., Ltd.	20,305	0.12%	-	-
	Yoing Investment Co., Ltd.	-	-	1,004	0.01%
	Ho Ming - Hong	32	-	123,357	0.80%
	Ho Ming - Yu	87,987	0.52%	85,018	0.55%
	Pai Wen - Cheng	-	-	5	-
	Pai Che - Yu	1	-	1	-
		\$ 267,982	1.57%	\$ 351,575	2.28%
Accounts payable	Polaris Securities Co., Ltd.	\$ 16,110	29.24%	\$ 19,096	32.73%
	MF Global Singapore Pte Ltd Taiwan Branch	272	0.49%	189	0.32%
		\$ 16,382	29.73%	\$ 19,285	33.05%
Other payable	Polaris Securities Co., Ltd.	\$ 62	-	\$ 12	-
(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 2009 and 2008 were \$27 and \$10, respectively. The transaction condition makes no difference for third parties.

B. Others

Items	Name of related party	Three Months Ended March 31			
		2009		2008	
		Amount	%	Amount	%
Computing information fee	Apex International Financial Engineering Res. & Tech. Co., Ltd.	\$ 150	-	\$ 150	0.95%
Marketing fee	Polaris Public Relations Consultants Limited	-	-	2,400	38.05%
Interest income	MF Global Singapore Pte Ltd Taiwan Branch	223	0.26%	3,118	4.95%
Professional fee	Polaris Securities Co., Ltd.	70	2.29%	81	6.32%
Donation	Polaris Research Institute	-	-	800	40.82%
Supplies and printing	Polaris Securities Co., Ltd.	1	-	-	-
Postage expenses	Polaris Securities Co., Ltd.	1	-	-	-

VI. Pledged Assets: Nil.

VII. Significant Commitments and contingencies:

According to the amended version of "Taiwan Futures Exchange Corporation Guidelines for Application by Futures Commission Merchants using an Irrevocable Standby Letter of Credit for Emergency Measures against Insufficient Adjusted Net Capital", the Company applied the credit limits with Chinatrust Commercial Bank and First Commercial Bank for \$3 hundred million and \$1 hundred million, respectively. The amounts remained the same as of March 31, 2009.

VIII. Significant losses due to major disasters: Nil.

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

1. As of March 31, 2009 and 2008 the unexpired futures and option contracts are shown as follows:

A. As of March 31, 2009

Items	Trading category	Open position		Amount paid for (received from) premium	Fair value
		Buy / Sell	Number of contracts		
Futures contract (Domestic)	MTX	Buy	470	\$ 123,109	\$ 122,136
	TF	Sell	163	88,658	90,302
	TE	Sell	419	342,831	357,826
	TX	Buy	799	838,518	830,779
		Sell	310	271,539	319,424
	XIF	Sell	409	255,056	255,466
	GDF	Sell	2	6,255	6,247
	GTF	Buy	19	6,023	5,950
	TGF	Sell	6	1,566	1,807
		Buy	55	20,878	20,803
	GBF	Sell	60	23,241	22,714
		Buy	50	277,063	275,407
	Futures contract (Abroad)	Index	Buy	16	21,897
Precious metal		Buy	61	167,053	166,836
		Sell	180	156,968	158,798
Foreign currency exchange		Buy	2	11,539	11,281
		Sell	36	158,536	154,464
Light merchandise		Buy	29	10,535	10,553
Agriculture	Sell	4	4,206	4,332	
Option contract (Domestic)	Bonds	Buy	6	24,085	24,208
	STKO call	Buy	5	2	1
		Sell	5	9	26
	STKO put	Buy	10	-	-
		Sell	10	23	39
	TXO call	Buy	553	1,003	1,052
		Sell	94	719	1,116
	TXO put	Buy	1,641	1,306	721
		Sell	1,698	849	657
	TEO call	Sell	10	56	20
TEO put	Buy	10	91	120	
	Sell	10	-	-	

Items	Trading category	Open position		Amount paid for (received from) premium	Fair value
		Buy / Sell	Number of contracts		
Option contract (Domestic)	XIO call	Buy	10	\$ 59	\$ 22
		Sell	30	133	100
	XIO put	Buy	30	151	104
		Sell	85	68	109
	TFO call	Buy	10	40	11
		Sell	2	13	11
	TFO put	Buy	2	8	10
		Sell	20	83	137
	TGO put	Buy	5	78	68
		Sell	14	93	63
	TGO call	Buy	14	216	181
		Sell	5	35	39
	GTO call	Sell	28	68	91
	GTO put	Buy	3,019	43	38

B. 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	
		Sell	26	32,505	32,536	
	GBF	Buy	20	103,644	103,200	
	GDF	Buy	41	116,829	117,176	
		Sell	3	8,181	8,547	
	TGF	Buy	27	9,382	9,273	
		Sell	247	89,241	84,125	
	Futures contract (Abroad)	Index Futures	Buy	2	9,055	8,842
			Sell	17	32,495	32,405
Precious metal Futures		Buy	83	237,676	233,008	
		Sell	175	275,263	267,033	
Foreign exchange Futures		Buy	47	186,287	188,354	
		Sell	25	96,137	95,878	
Agriculture Futures	Buy	4	1,722	1,757		
Option contract (Domestic)	TFO put	Buy	10	64	64	
	TXO call	Buy	1,071	13,034	12,480	
		Sell	4,440	17,909	13,883	
	TXO put	Buy	1,724	18,973	13,952	
		Sell	1,281	12,700	7,382	
	STKO call	Buy	45	325	248	
		Sell	9	77	68	
	STKO put	Buy	5	63	77	
	XIO call	Buy	10	49	37	
	XIO put	Buy	10	125	123	
	TEO call	Sell	10	11	8	
	TEO put	Buy	10	94	92	
		Sell	5	8	1	
	GTO put	Buy	10	63	9	
		Sell	10	88	21	
	MSO call	Buy	30	198	138	
	MSO put	Sell	20	125	130	
Buy		10	41	61		

## 2. Fair value of financial assets and liabilities

Financial instruments	Mar. 31, 2009		Mar. 31, 2008	
	Book value	Fair value	Book value	Fair value
<b>Financial assets:</b>				
Cash and cash equivalents	\$ 1,633,408	\$ 1,633,408	\$ 1,486,767	\$ 1,486,767
Financial assets at fair value through profit or loss – current:				
Securities	3,461	3,461	64,656	64,656
Derivative financial instruments	1,465,406	1,465,406	1,004,699	1,004,699
Available for sale financial assets – noncurrent	35,510	35,510	35,510	35,510
Long-term capital investment under equity method	99,710	99,710	-	-
Refundable deposits	7,983	7,983	8,064	8,064
<b>Financial liabilities:</b>				
Financial liabilities at fair value through profit or loss – current				
Derivative financial instrument	2,408	2,408	21,492	21,492
<b>Derivative instruments</b>				
Futures trading margins – house funds	1,293,546	1,293,546	977,419	977,419
Futures trading margins – securities	169,533	169,533	-	-
Call options–no hedging	2,327	2,327	27,280	27,280
Put option liabilities	2,408	2,408	21,492	21,492

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, 2009 and 2008, the fair value of the financial instruments, which were based on quoted market value in active market or pricing model, were as follows:

	March 31, 2009		March 31, 2008	
	Quoted Market Value in active market	Pricing model	Quoted Market Value in active market	Pricing model
<b>Financial assets</b>				
Financial assets at fair value through profit or loss-current				
Securities	\$ 3,461	\$ -	\$ 64,656	\$ -
Derivative financial instruments				
Call option contracts	2,327	-	27,280	-
Future trading margins-house funds	-	1,293,546	-	977,419
Future trading margins-securities	-	169,533	-	-
<b>Total</b>	<b>\$ 5,788</b>	<b>\$1,463,079</b>	<b>\$ 91,936</b>	<b>\$977,419</b>
<b>Financial liabilities</b>				
Financial liabilities at fair value through profit or loss-current				
Derivative financial instruments				
Put option liabilities	\$ 2,408	\$ -	\$ 21,492	\$ -

4. All the financial assets are not pledged as of March 31, 2009 and 2008.

#### 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, 2009, within 95% of the confidence interval, VaR for one day is \$10,183. Average VaR for each trading day of the first quarter is \$13,680, the maximum is \$29,767 (on January 10, 2009), the minimum is \$5,084 (on February 18, 2009), and the standard deviation is \$5,244.

##### (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 diversified 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	3,030,133	569.41%	2,543,865	666.54%	≥ 100%	Satisfactory to requirements
	Total liabilities – Futures traders' equity – Reserve for trading losses – Reserve for breach of contract losses	17,745,562 – 17,023,884 – 17,898 – 171,624		15,956,484 – 15,419,506 – 14,803 – 140,525			
17	Current assets	20,164,533	115.39%	18,026,010	114.66%	≥ 100%	Satisfactory to requirements
	Current liabilities	17,474,416		15,720,978			
22	Shareholders' equity	3,030,133	390.98%	2,543,865	385.43%	≥ 60%	Satisfactory to requirements
	Minimum paid-in capital	775,000		660,000		≥ 40%	
22	Post-adjustment net capital	2,869,372	252.11%	2,117,053	64.47%	≥ 20%	Satisfactory to requirements
	Total margin deposits required for futures traders, not yet offset	1,138,132		3,283,671		≥ 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 margin 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. Significant trading information:

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

Investor	Investee	Location	Principal activity	Original investment amount		Ending balance			Investee's (loss) income of current period	Investment (loss) income recognized in current period
				Ending balance of current period	Ending balance of prior period	No. of shares (thousands)	Ratio	Book value		
Polaris MF Global Futures Co., Ltd.	MF Global Futures Trust Co., Ltd.	Taiwan	Raise the futures trust fund by issuing beneficiary certificates and use the futures trust fund for trading futures and related investments.	\$ 99,999	\$ -	9,999	33.33%	\$ 99,710	(\$842)	(\$280)

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.