

Polaris MF Global Futures Co., Ltd.

Financial Statements for the Nine Months Ended

September 30, 2009 and 2008

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.

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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 September 30, 2009 and 2008 and the related statements of income and cash flows for the nine 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, 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 September 30, 2009, the amount of long-term investment in MF Global Futures Trust Co. Ltd. was \$96,529 thousands and held up to 0.51% of total assets value. From January 1 to September 30, 2009, the investment loss to MF Global Futures Trust Co. Ltd. was \$3,461 thousands and held up to 0.93% 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.



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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 \$7,201 thousands for the first quarter of the Year 2008.

First Horwath & Company, CPAs *First Horwath & Company, CPAs*
Taipei, Taiwan
Republic of China
October 12, 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.
Balance Sheets
For The Nine Months Ended September 30, 2009 and 2008
(In Thousands of New Taiwan Dollars)

| ASSETS | Note | September 30,2009 | | September 30,2008 | | LIABILITIES AND SHAREHOLDERS' EQUITY | Note | September 30,2009 | | September 30,2008 | |
|---|------------------------|----------------------|------------|----------------------|------------|--|----------------------|----------------------|------------|----------------------|------------|
| | | Amount | % | Amount | % | | | Amount | % | Amount | % |
| CURRENT ASSETS | | \$ 18,180,758 | 97 | \$ 17,917,597 | 97 | CURRENT LIABILITIES | | \$ 15,767,643 | 84 | \$ 15,633,875 | 85 |
| Cash and cash equivalents | (II)-1, (IV)-1 | 1,911,664 | 10 | 1,506,325 | 8 | Financial liabilities at fair value through profit or loss | (II)-2, (IX) | 1,450 | - | 64,221 | - |
| Financial assets at fair value through profit or loss | (II)-2, (IV)-2 | 730,486 | 4 | 1,104,535 | 6 | Futures traders' equity | (II)-11, (IV)-3, (V) | 15,457,102 | 82 | 15,262,666 | 83 |
| Margin deposits | (II)-6, (IV)-3, (V) | 15,480,999 | 83 | 15,285,162 | 83 | Accounts payable-non-related parties | | 36,463 | - | 33,505 | - |
| Futures trading margin receivable | | 485 | - | 55 | - | Accounts payable-related parties | (V) | 14,249 | - | 16,797 | - |
| Accounts Receivable-non-related parties | | 1,955 | - | 572 | - | Other payables | (IV)-7 | 255,981 | 2 | 250,908 | 2 |
| Accounts Receivable-related parties | (V) | 15 | - | 16 | - | Other current liabilities | | 2,398 | - | 5,778 | - |
| Prepayment | | 2,491 | - | 3,988 | - | OTHER LIABILITIES | | 271,745 | 1 | 237,450 | 1 |
| Other Receivable | | 44,086 | - | 16,944 | - | Reserve for breach of contract losses | (II)-12 | 186,133 | 1 | 156,395 | 1 |
| Other Receivable-related parties | | 5,263 | - | - | - | Reserve for trading losses | (II)-13, (IV)-8 | 3,083 | - | - | - |
| Other current assets | | 3,314 | - | - | - | Accrued pension liabilities | (II)-14, (IV)-8 | 20,241 | - | 18,451 | - |
| FUNDS AND LONG-TERM INVESTMENTS | (II)-3 · 4 · 5, (IV)-4 | 132,039 | 1 | 169,739 | 1 | Reserve for bad debts losses | (II)-15 | 62,288 | - | 62,604 | - |
| Available for sale financial assets-noncurrent | | 35,510 | - | 35,510 | - | TOTAL LIABILITIES | | 16,039,388 | 85 | 15,871,325 | 86 |
| Investments accounted for using equity method | | 96,529 | 1 | - | - | | | | | | |
| Held-to-maturity financial assets-non-current | | - | - | 94,229 | 1 | | | | | | |
| Other financial assets | | - | - | 40,000 | - | | | | | | |
| FIXED ASSETS | (II)-7, (IV)-5 | 113,791 | - | 87,208 | - | Capital stock | (IV)-9 | 1,312,763 | 7 | 1,312,763 | 7 |
| Equipments | | 227,432 | 1 | 197,682 | 1 | Common stock | | 1,312,763 | 7 | 1,312,763 | 7 |
| Prepayment for equipments | | 24,926 | - | 12,139 | - | Capital surplus | | 407,633 | 2 | 407,633 | 2 |
| Leasehold improvements | | 61,103 | - | 47,845 | - | Premium from business merger | | 46,333 | - | 46,333 | - |
| Less : accumulated depreciation | | (199,670) | (1) | (170,458) | (1) | Premium from issuing stocks | | 361,300 | 2 | 361,300 | 2 |
| INTANGIBLE ASSETS | | 6,799 | - | 9,629 | - | Retained earnings | | 1,061,938 | 6 | 971,400 | 5 |
| Deferred pension costs | (II)-14 | 2,364 | - | 2,364 | - | Legal reserve | | 249,847 | 1 | 189,884 | 1 |
| Other intangible assets | (II)-8 | 4,435 | - | 7,265 | - | Special reserve | (IV)-10 | 499,694 | 3 | 379,767 | 2 |
| OTHER ASSETS | (IV)-6 | 388,335 | 2 | 378,948 | 2 | Unappropriated retained earnings | (IV)-11 | 312,397 | 1 | 401,749 | 2 |
| Operations guarantee deposits | (II)-9 | 155,000 | 1 | 145,000 | 1 | TOTAL SHAREHOLDERS' EQUITY | | 2,782,334 | 15 | 2,691,796 | 14 |
| Clearing and settlement funds | (II)-10 | 157,000 | 1 | 167,000 | 1 | TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | | \$ 18,821,722 | 100 | \$ 18,563,121 | 100 |
| Refundable deposits | | 8,484 | - | 7,683 | - | | | | | | |
| Deferred income tax assets-non-current | (II)-16, (IV)-12 | 67,851 | - | 59,265 | - | | | | | | |
| TOTAL ASSETS | | \$ 18,821,722 | 100 | \$ 18,563,121 | 100 | | | | | | |

Note1 : Please refer to the accompanying notes of the financial statements and the audit report signed by First Horwath & Company, CPAs on October 12, 2009.

Note2 : Reviewed, not audited for the nine months ended September 30, 2009.

POLARIS MF GLOBAL FUTURES CO., LTD.

Income Statements

For The Nine Months Ended September 30, 2009 and 2008

(In Thousands of New Taiwan Dollars)

| Descriptions | Note | September 30,2009 | | September 30,2008 | |
|--|------------------|---------------------|--------------|---------------------|--------------|
| | | Amount | % | Amount | % |
| REVENUES | (II)-17 | | | | |
| Brokerage | | 1,051,726 | 42 | 1,174,556 | 24 |
| Future trading margin-securities valuation | | 1,298 | - | - | - |
| Clearance fee from consignment | | 15,789 | 1 | 3,442 | - |
| Gain on disposal of derivative financial instruments | | 1,180,305 | 47 | 3,348,400 | 69 |
| Managed futures revenues | | 985 | - | - | - |
| Futures advisory revenues | | 163 | - | 88 | - |
| Other operating revenues | | 26,330 | 1 | 29,914 | 1 |
| Nonoperating revenues | | 211,817 | 9 | 308,755 | 6 |
| Total Revenues | | 2,488,413 | 100 | 4,865,155 | 100 |
| EXPENSES | (II)-17 | | | | |
| Brokerage fee | | (109,935) | (4) | (122,798) | (3) |
| Dealer handling fee | | (13,756) | (1) | (10,227) | - |
| Futures commission | | (308,350) | (12) | (338,693) | (7) |
| Clearance fee | | (95,880) | (4) | (91,910) | (2) |
| Loss on disposal of derivative financial instruments | | (1,055,129) | (42) | (3,016,339) | (62) |
| Managed futures fee | | (41) | - | - | - |
| Operating expenses | | (515,541) | (21) | (688,129) | (14) |
| Nonoperating expenses and losses | | (18,796) | (1) | (70,770) | (1) |
| Total Expenses | | (2,117,428) | (85) | (4,338,866) | (89) |
| Net income before income tax | | 370,985 | 15 | 526,289 | 11 |
| Income tax expenses | (II)-15, (IV)-12 | (84,523) | (3) | (124,561) | (3) |
| Net income | | \$ 286,462 | 12 | \$ 401,728 | 8 |
| Earnings per share | (II)-19, (IV)-13 | | | | |
| Earnings before income tax | | \$ 2.82 | | \$ 4.01 | |
| Income tax expense | | (0.64) | | (0.95) | |
| Net earnings after tax | | \$ 2.18 | | \$ 3.06 | |

Note1 : Please refer to the accompanying notes of the financial statements and the audit report signed by First Horwath & Company, CPAs on October 12, 2009.

Note2 : Reviewed, not audited for the nine months ended September 30, 2009.

POLARIS MF GLOBAL FUTURES CO., LTD.
 Statements of Cash Flows
 For The Nine Months Ended September 30, 2009 and 2008
 (In Thousands of New Taiwan Dollars)

| | September 30, 2009 | September 30, 2008 |
|---|--------------------|--------------------|
| Cash flows from operating activities | | |
| Net income | \$ 286,462 | \$ 401,728 |
| Adjustments | | |
| Depreciation | 24,640 | 22,935 |
| Amortization | 4,341 | 7,079 |
| Equity in earnings of equity method investees, net | 3,461 | - |
| Valuation gain on financial assets | (2,094) | (3,173) |
| Loss on disposal of short term investments | 61 | 33,390 |
| Reserve for breach of contract losses | 21,350 | 23,560 |
| Reserve for trading losses | 3,083 | - |
| Gain on reversal of trading losses reserve | (25,748) | (28,471) |
| Loss on disposal of fixed assets | 79 | 159 |
| (Increase) decrease in call options | 537 | (54,811) |
| (Increase) decrease in future trading margin - house fund | 632,398 | (470,217) |
| Increase in future trading margin - securities | (17,086) | - |
| (Increase) decrease in margin deposits | 711,511 | (479,752) |
| Increase in futures trading margin receivable | (485) | - |
| Decrease in securities borrowed guarantee deposits | 11,362 | - |
| Increase in accounts receivable | (1,036) | (278) |
| Increase in accounts receivable-related party | (12) | - |
| Increase in other receivables | (18,324) | (281) |
| Decrease in prepayments | 2,218 | 8,661 |
| (Increase) decrease in deferred income tax assets | (8,523) | 1,770 |
| Decrease in other current assets | 64 | - |
| Increase (decrease) in put option liabilities | (32,254) | 46,201 |
| Increase (decrease) in futures traders' equity | (722,550) | 477,910 |
| Decrease in notes payable | - | (2,351) |
| Increase in accounts payable-non-related party | 1,679 | 2,413 |
| Decrease in accounts payable-related party | (3,517) | (4,777) |
| Increase (decrease) in income tax payables | (89,309) | 6,900 |
| Increase (decrease) in other accounts payable | (41,545) | 82,011 |
| Decrease in other current liabilities | (2,109) | (6,155) |
| Increase in accrued pension liabilities | 2,865 | 331 |
| Net cash provided by (used in) operating activities | <u>741,519</u> | <u>64,782</u> |

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Cash flows from investing activities

| | | |
|--|--------------|----------|
| Decrease in open fund and monetary market tools | 2,965 | 25,491 |
| Increase in Held-to-Maturity financial asset | - (| 94,229) |
| Prepayment for long-term investments | - (| 40,000) |
| Acquisition of fixed assets | (47,958) (| 37,388) |
| Disposal of fixed assets | 1,375 | - |
| Acquisition of investments accounted for using equity method | (59,990) | - |
| Increase in intangible assets | (168) (| 785) |
| Increase in deferred pension costs | (1,522) | - |
| Increase in operations guarantee deposits | (10,000) (| 35,000) |
| Increase in clearing and settlement funds | (1,000) (| 1,000) |
| Increase in refundable deposits | (637) (| 1,769) |
| Net cash provided by (used in) investing activities | (116,935) (| 184,680) |

Cash flows from financing activities

| | | |
|--|--------------|--------------|
| Cash dividends to shareholders | (393,829) (| 126,123) |
| Net cash provided by (used in) financing activities | (393,829) (| 126,123) |
| Net increase (decrease) in cash and cash equivalents | 230,755 (| 246,021) |
| Cash and cash equivalents at the beginning of the period | 1,680,909 | 1,752,346 |
| Cash and cash equivalents at the end of the period | \$ 1,911,664 | \$ 1,506,325 |

Supplemental Disclosures of cash flow information

| | | |
|-----------------|------------|------------|
| Interest paid | \$ 2,520 | \$ 15,723 |
| Income tax paid | \$ 274,125 | \$ 115,490 |

Partial cash received in investing activities and financing activities :

| | | |
|--|------------|------------|
| Cash dividends to shareholders | \$ 393,829 | \$ 126,123 |
| Bonus to directors and supervisors | - | 343 |
| Less : other payables in the end of the period | - (| 343) |
| Net cash paid in the period | \$ 393,829 | \$ 126,123 |

Note1 : Please refer to the accompanying notes of the financial statements and the audit report signed by
First Horwath & Company, CPAs issued on October 12, 2009.

Note2 : Reviewed, not audited for the nine months ended September 30, 2009.

POLARIS MF GLOBAL FUTURES CO., LTD.

Notes to Financial Statements

For the nine months September 30, 2009 and 2008

(Amounts expressed in thousands of New Taiwan dollars, unless specify otherwise)

(Reviewed, not audited for the nine months ended September 30, 2008)

I. General

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 September 30, 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 Futures management enterprise.

As of September 30, 2009 and 2008, the Company had 325 and 323 employees, respectively.

II. Summary of significant accounting policies

The financial statements and the significant 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 significant 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 assets/liabilities at fair value through profit or loss

Financial assets/liabilities 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 significant 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. Investments Accounted for Using Equity Method

- (1) Investments Accounted for Using Equity Method at equity held directly or indirectly to the investee with the voting rights of shares of over 50%, or can be benefited from the economic activities, which has the main control of other individual financial, operational and human resource plans over the investee, and should be included in the consolidated financial statements.
- (2) Equity method should be adopted if one of the below status applies to the long-term investments at equity:
 - A. Has the control over the investee.
 - B. Holds the voting rights of shares of over 20% and has no control, however it is not limited to one has the evidence showing no significant impact to the investee.
 - C. Holds the voting rights of shares of less than 20% but has the significant impact to the investee.
- (3) The Company complies with accounting principles of the long-term investments at equity, and the investee's annual loss is recognized rationally according to the shareholding ratio. Cash dividends are recognized as long-term investment loss. Share dividend are noted as share number increment and not recognized as costs or investment revenue. Sale or disposal adopts the moving average method for calculating the costs and profit or loss.
- (4) Once equity is obtained or equity method is adopted for the first time, the difference between the investment costs and net value of equity are evenly amortized for 5 to 20 years. According to the revised SFAS on January 1, 2006, the investment costs should be analyzed and the part where the investment costs exceed the fair value of recognizable net assets is recognized as goodwill. Goodwill can not be amortized but can annually be tested for impairment. If goodwill is impaired by some specific matters or changes in environment, impairment tests should be performed. If fair value of net assets is recognized to be over the investment costs, the difference should be reduced in apportioning according to the fair value of each non-current asset, any

remaining difference is recognized as extraordinary gain or loss.

Except for financial assets by non equity evaluation, assets yet to be disposed, deferred income tax assets and prepaid pension or other pension payable, since January 1 2006, the unamortized remaining amount of former long-term investments at equity is the investment costs that exceed the net equity value; it can not be amortized following the precedent of goodwill. The difference between the original investment costs and net equity value belongs to the deferred credit, which is to be amortized according to the remaining amortization life.

5. 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.

6. 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.

7. Property, plant and equipment

Property, plant and equipment 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.

Property, plant and equipment 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.

8. 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.

9. 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.

10. 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.

11. 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.

12. 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.

13. 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.

14. Pension cost

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.

15. 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.

16. 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.

17. 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.

18. 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.

19. 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.

20. 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.

21. 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.

22. Profit sharing to employees and bonus to directors

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 NT\$7,201 thousand for the nine months ended September 30, 2008

IV. Explanations on major accounts

1. Cash and cash equivalents

| | <u>Sept. 30, 2009</u> | <u>Sept. 30, 2008</u> |
|--------------------------|-----------------------|-----------------------|
| Cash | \$ 200 | \$ 200 |
| Checking account deposit | 1,769 | 775 |
| Demand deposit | 370,132 | 95,566 |
| Term deposit | 1,503,200 | 1,394,000 |
| Foreign currency deposit | 36,363 | 15,784 |
| Total | <u>\$ 1,911,664</u> | <u>\$ 1,506,325</u> |

As of September 30, 2009, the aforementioned items have been free of any restriction in disbursement.

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

| | <u>Sept. 30, 2009</u> | <u>Sept. 30, 2008</u> |
|--------------------------------------|-----------------------|-----------------------|
| Financial assets held for trading | | |
| Securities | \$ - | \$ 8,943 |
| Open-end fund | 2,025 | - |
| Call option | 2,049 | 73,129 |
| Future trading margins – house funds | 554,427 | 1,022,463 |
| Future trading margins – securities | 171,985 | - |
| Total | <u>\$ 730,486</u> | <u>\$ 1,104,535</u> |

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

(2) As of September 30, 2009, the above financial assets were provided to be free of any pledges or collateral.

3. Margin deposits

| | Sept. 30, 2009 | Sept. 30, 2008 |
|---------------------------------------|----------------------|----------------------|
| Customer margin deposit-Cash at banks | \$ 13,908,252 | \$ 13,306,255 |
| Customer margin deposit-clearinghouse | 813,028 | 1,013,139 |
| Customer margin deposit-Other FCMs | 759,719 | 965,768 |
| Total | <u>\$ 15,480,999</u> | <u>\$ 15,285,162</u> |

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

| | Sept. 30, 2009 | Sept. 30, 2008 |
|--|----------------------|----------------------|
| Balance of margin deposits | \$ 15,480,999 | \$ 15,285,162 |
| Minus: | | |
| Accrued service charge and interest income | (19,109) | (16,218) |
| Futures trading tax | (1,206) | (1,733) |
| Incorrect desposits from customers | <u>(3,582)</u> | <u>(4,545)</u> |
| Total | <u>\$ 15,457,102</u> | <u>\$ 15,262,666</u> |

4. Funds and long-term investments

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

| Investees | Sept. 30, 2009 | | | Sept. 30, 2008 | | |
|--|-----------------------|-----------------|----------------------|-----------------------|-----------------|----------------------|
| | Shares (thousands) | Amount | % of shareholding | Shares (thousands) | Amount | % of shareholding |
| Taiwan Futures Exchange Corporation | 4,259 | <u>\$35,510</u> | 1.70 | 3,741 | <u>\$35,510</u> | 1.70 |

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 | Sept. 30, 2009 | | | Sept. 30, 2008 | | |
|----------------------------|-----------------------|-----------------|----------------------|-----------------------|-------------|----------------------|
| | Shares (thousands) | Amount | % of shareholding | Shares (thousands) | Amount | % of shareholding |
| MF Global Futures Co.,Ltd. | 9,999 | <u>\$96,529</u> | 33.33 | - | <u>\$ -</u> | - |

Note: The Company obtains 9,999 thousands shares of MF Global Futures Co.,Ltd in 2009 and holds 33.33% of shareholdings, therefore equity method is adopted for evaluation. The accounting period of MF Global Future Co.,Ltd. commences on the April 1st. \$3,461 thousands are recognized as investment loss in the first half of 2009.

(3) Held to maturity financial assets – non-current

| | Sept. 30, 2009 | Sept. 30, 2008 |
|--------|----------------|------------------|
| A96103 | <u>\$ -</u> | <u>\$ 94,229</u> |

Note: 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.

(4) As of September 30, 2009, the above financial assets were provided to be free of any pledges or collateral.

5. Property, plant and equipment

(1) As of September 30, 2009

| | Cost | Accumulated depreciation | Balance |
|-----------------------------------|------------------|-----------------------------|------------------|
| Computer communication equipments | 203,193 | 153,875 | 49,318 |
| Office equipments | 17,494 | 10,510 | 6,984 |
| Transportation equipments | 6,745 | 4,695 | 2,050 |
| Leasehold improvement | 61,103 | 30,590 | 30,513 |
| Prepayment for equipments | 24,926 | - | 24,926 |
| Total | <u>\$313,461</u> | <u>\$199,670</u> | <u>\$113,791</u> |

(2) As of September 30, 2008

| | Cost | Accumulated depreciation | Balance |
|-----------------------------------|------------------|-----------------------------|-----------------|
| Computer communication equipments | 173,489 | 135,901 | 37,588 |
| Office equipments | 14,620 | 8,828 | 5,792 |
| Transportation equipments | 9,573 | 5,030 | 4,543 |
| Leasehold improvement | 47,845 | 20,699 | 27,146 |
| Prepayment for equipments | 12,139 | - | 12,139 |
| Total | <u>\$257,666</u> | <u>\$170,458</u> | <u>\$87,208</u> |

(3) Insurance

| Insurance | Sept. 30, 2009 | Sept. 30, 2008 | Remark |
|-------------------------------|-------------------|-------------------|--|
| Computer and office equipment | \$ 93,200 | \$ 93,200 | fire insurance (including comprehensive insurance) |
| Leasehold improvement | 34,100 | 34,100 | fire insurance (including comprehensive insurance) |
| Total | <u>\$ 127,300</u> | <u>\$ 127,300</u> | |

- A. The comprehensive insurances for 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 2009 and 2008.

6. Other assets

| | Sept. 30, 2009 | Sept. 30, 2008 |
|--|-------------------|-------------------|
| Operations guarantee deposits | \$ 155,000 | \$ 145,000 |
| Clearing and settlement funds | 157,000 | 167,000 |
| Refundable deposits | 8,484 | 7,683 |
| Deferred income tax assets - non-current | 67,851 | 59,265 |
| Total | <u>\$ 388,335</u> | <u>\$ 378,948</u> |

7. Other payables

| | Sept. 30, 2009 | Sept. 30, 2008 |
|------------------------------------|-------------------|-------------------|
| Salary payable | \$ 12,772 | \$ 13,197 |
| Bonus payable | 148,875 | 125,769 |
| Interest payable | 15,011 | 17,610 |
| Labor and health insurance payable | 3,668 | 2,845 |
| Professional fees payable | 9,737 | 5,695 |
| Marketing expenses payable | 24,000 | 12,700 |
| Other accrued expenses | 33,202 | 27,818 |
| Pension payable | 2,078 | 2,062 |
| Income tax payable | 312 | 34,440 |
| Other payables | 6,326 | 8,772 |
| Total | <u>\$ 255,981</u> | <u>\$ 250,908</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 \$2,398 and \$2,403 for the nine months ended September 30, 2009 and 2008, respectively. As of September 30, 2009 and 2008, the balances of pension account in Central Trust of China were \$14,879 and \$13,180, 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 nine months ended September 30, 2009 and 2008 were \$9,022 and \$8,615, respectively. The accrued pension liability booked as of September 30, 2009 and 2008 were \$1,029 and \$1,023, 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 FSC of the Financial Supervisory Commission, Executive Yuan, the futures commission merchants shall set aside an amount equal to 20% of its after-tax net income as special reserve, provided that this shall not be required if the accumulated amount reaches the paid-in capital amount. The special reserve shall not be used for purposes other than covering the losses of the Company or, when the special reserve reaches 50% of the amount of paid-in capital, half of it may be capitalized.

11. Distribution of retained earnings

(1) According to the Company's Articles of Incorporation, the after-tax net income shall first be used to offset the accumulated deficits, then 10% is set aside as a legal reserve and 20% is set aside as a special reserve, the remaining amount after deducting the above from the current year's earnings with the prior years' unappropriated earnings shall be distributed in the following order :

- A. Set aside 0.1%~2% as directors' and supervisors' remuneration; and
- B. Set aside 0.1%~10% as employees' bonus; and

- C. The remaining balance shall be distributed as dividends to shareholders.
- (2) The policy of the Company's dividend distribution, is to maintain the long-term financial planning and continuous development and steady operation growth as to maximize the profit of shareholders, complies with :
- A. As least 50% of current year's unappropriated earnings shall be distributed as shareholders' dividends annually.
- B. Dividends are distributed based on the current year's profitability and the future needs of the Company. This principle is applied for the stability of the Company's operations and financing requirements. At least 30% of the dividend distributed must be in the form of cash.
- (3) The employee bonus and directors and supervisors payable for the first three quarters of 2009 and 2008 is estimated based on the Company's Articles of Incorporation, past experience, and current period earning. The accrual payable for first three quarters of 2009 and 2008 are \$12,921 thousand and \$9,601 thousand, respectively.
- If the board modified the estimates significantly in the subsequent periods during the year, the company will recognize the change as an adjustment to current expense. Moreover, if the amounts were modified by the shareholders' resolution, the adjustment will be regarded as a change of accounting estimate and will be reflected in the statement in the resolution 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)

| | 2008 | | | |
|---|---|---|------------|----------------------|
| | 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 | \$ 40,985 | \$ 40,985 | - | - |
| (2) Employee bonus – stock dividend | | | | |
| (a) Number of shares | - | - | - | - |
| (b) Amount | - | - | - | - |
| (c) Percentage of number of shares outstanding at the end of the year | - | - | - | - |
| (3) Directors' and supervisors' remuneration | 435 | 435 | - | - |
| 2. Earnings per share | | | | |
| (1) Original earnings per share | \$ 4.57 | \$ 4.57 | - | - |
| (2) Imputed earnings per share | \$ 4.57 | \$ 4.57 | - | - |

12. Income tax

- (1) The Company's income tax returns through 2007 have been assessed by the National Tax Administration (NTA). Additional income tax of \$625 thousand dollars 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 Supreme Court which is still under review.
- (2) The Company already filed its corporate income tax return for the year 2008 on time, which is being reviewed by the NTA.
- (3) Estimated income tax for Q3 2009 and 2008:

| Items | Sept. 30, 2009 | Sept. 30, 2008 |
|---|----------------|----------------|
| Net profit before tax, at tax rate according to income tax law, ROC | \$ 92,736 | \$ 131,562 |
| Permanent differences: | | |
| Bill interest levied separately | (19) | (764) |
| Investment loss under equity method | 865 | - |
| Exemption of cash dividends | (1,002) | (2,546) |
| Valuation gains on financial assets | (524) | (793) |
| Loss or gains on Securities transaction exempted from tax under Article 4-1 of Income Tax Law, ROC | 15 | 8,347 |
| Loss or gains on futures transaction exempted from tax under Article 4-2 of Income Tax Law, ROC | (3,612) | (6,215) |
| Gains on futures transaction which is unrealized in the prior year and closed in the current year | 500 | 1,338 |
| Losses on option contracts which is unrealized in the prior year and closed in the current year | (136) | (444) |
| Gains on unrealized futures trading in current period | (229) | (9,870) |
| Losses or (gains) on unrealized options trading in current period | 45 | (5,257) |
| Adjustment complied with tax regulations | - | 10 |
| Income tax expenses in the current period | 88,639 | 115,368 |
| Additional 10% tax for unappropriated earnings | 2,591 | - |
| Adjustment for prior income tax expenses | (6,707) | 9,193 |
| Income tax expenses | 84,523 | 124,561 |
| Adjustment of temporary differences: | | |
| Unrealized gains on foreign currency exchange in the prior period but is realized in the current period | 5,202 | 1,202 |
| Unrealized losses or (gains) on foreign currency exchange in the current period | 3,314 | (2,051) |
| Unrealized trading losses | (5,667) | (7,118) |
| Unrealized breach of contract losses | 5,337 | 5,890 |
| Differences in pension cost and appropriation | 336 | 306 |
| Adjustment of prior income tax | 6,707 | (9,193) |
| Income tax prepaid | (105,338) | (79,670) |
| Income tax payable or (refundable) (Note) | (\$ 5,586) | \$ 33,927 |

Notes:

- A. As of September 30, 2009, excluding half of the estimated administrative relief of income tax in 2005 for \$312 thousand dollars.

B. As of September 30, 2008, excluding half of the estimated administrative relief of income tax in 2005 for \$513 thousand dollars.

(4) Effect of deferred income tax

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

| | Sept. 30, 2009 | Sept. 30, 2008 |
|---|----------------|----------------|
| (A) Total deferred income tax assets | \$ 71,165 | \$ 59,265 |
| (B) Total deferred income tax liabilities | - | (2,051) |
| (C) Temporary differences (tax) arising from deferred income tax assets or liabilities | | |
| • Deductible provisional difference incurred by recognition of unrealized gains on foreign currency exchange | - | (2,051) |
| • Deductible provisional difference incurred by recognition of unrealized losses on foreign currency exchange | 3,314 | - |
| • Deductible provisional differences incurred by recognition of unrealized trading losses | 771 | - |
| • Deductible provisional difference incurred by recognition of unrealized losses on breach of contract | 46,533 | 39,099 |
| • 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 | 4,975 | 4,515 |

B. Deferred income tax assets (liability)

| Items | Sept. 30, 2009 | | Sept. 30, 2008 | |
|--|-----------------|------------------|-------------------|------------------|
| | Current | Noncurrent | Current | Noncurrent |
| Deferred income tax assets | \$ 3,314 | \$ 67,851 | \$ - | \$ 59,265 |
| Deferred income tax liabilities | - | - | (2,051) | - |
| Net deferred income tax assets (liabilities) | <u>\$ 3,314</u> | <u>\$ 67,851</u> | <u>(\$ 2,051)</u> | <u>\$ 59,265</u> |

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

| | Sept. 30, 2009 | Sept. 30, 2008 |
|---------------------------------|-------------------|------------------|
| Expected (actual) available ICA | <u>\$ 105,013</u> | <u>\$ 42,815</u> |
| Expected (actual) ratio of ICA | <u>33.33%</u> | <u>19.23%</u> |

(6) Information of unappropriated retained earnings:

| | Sept. 30, 2009 | Sept. 30, 2008 |
|-------------|-------------------|-------------------|
| Before 1997 | \$ 21 | \$ 21 |
| After 1998 | <u>312,376</u> | <u>401,728</u> |
| Total | <u>\$ 312,397</u> | <u>\$ 401,749</u> |

13. Earnings per share

| | Nine months ended September | |
|--|-----------------------------|------------|
| | 2009 | 2008 |
| Net income after tax | \$ 286,462 | \$ 401,728 |
| Outstanding (thousand shares) | 131,276 | 131,276 |
| Weighted-average number of common shares retroactive upon adjustment (thousand shares) | 131,276 | 131,276 |
| EPS (in dollars)-retroactive upon adjustment | \$ 2.18 | \$ 3.06 |

14. Expenses relating to employment, depreciation, and amortization for the nine months ended September 30, 2009 and 2008 disclosed by function were as follow:

| Function Character | Nine months ended September 30 | | | | | |
|----------------------------|--------------------------------|-------------------|------------|----------------|-------------------|------------|
| | 2009 | | | 2008 | | |
| | Operating cost | Operating expense | Total | Operating cost | Operating expense | Total |
| Employment | | | | | | |
| Payroll | - | \$ 204,818 | \$ 204,818 | - | \$ 297,922 | \$ 297,922 |
| Labor and health insurance | - | 13,298 | 13,298 | - | 11,373 | 11,373 |
| Pension fund | - | 11,420 | 11,420 | - | 11,018 | 11,018 |
| Others | - | 5,457 | 5,457 | - | 5,780 | 5,780 |
| Depreciation | - | 24,640 | 24,640 | - | 22,935 | 22,935 |
| Amortization | - | 4,341 | 4,341 | - | 7,079 | 7,079 |

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 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 2001 Fund | Substantial related party |
| Polaris International Investment Trust Co., Ltd.-Polaris Global Key Resources | Substantial related party |
| Polaris International Investment Trust Co., Ltd.-Polaris Russell Greater China Large Cap Value Index Fund | Substantial related party |
| Polaris International Investment Trust Co., Ltd.-Polaris PMAX Investment Trust Fund | Substantial related party |
| Polaris International Investment Trust Co., Ltd.-Polaris Taiwan Quantitive Balanced | Substantial related party |
| MF Global Overseas Limited | Note 1 |
| MF Global Hong Kong Limited | Substantial related party |
| MF Global Singapore Pte. Limited Taiwan Branch | Substantial related party |
| MF Futures 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 |
| Apex Investment Co., Ltd. | Substantial related party |
| Yoing Investment Co., Ltd. | Substantial related party |
| Polaris Research Institute | The Company donated one-third of paid-in fund of the Institute |
| Chinese Taipei Skating Union | The Chairman is the former chairman of Polaris Securities Co., Ltd. |

| Names of related parties | Relationship with the Company |
|--------------------------|--------------------------------------|
| Ho Ming-Yu | A relative of the Company's chairman |
| Ho Ming-Hong | The Chairman of the Company |

Note: 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.

2. Transactions with the related parties

(1) Brokerage revenue

| Name of related party | Nine months ended September 30 | | | |
|-----------------------|--------------------------------|-------|----------|-------|
| | 2009 | | 2008 | |
| | Amount | % | Amount | % |
| Others | \$ 5,976 | 0.57% | \$ 8,490 | 0.72% |

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 | Nine months ended September 30 | | | |
|---|--------------------------------|---------------|-------------------|---------------|
| | 2009 | | 2008 | |
| | Amount | % | Amount | % |
| Polaris Securities Co., Ltd. | \$ 133,630 | 43.34% | \$ 155,510 | 45.91% |
| MF Global Singapore Pte Ltd Taiwan Branch | 103,112 | 33.44% | 102,475 | 30.26% |
| Polaris Securities (Hong Kong) Limited | - | - | 3,568 | 1.05% |
| Total | <u>\$ 236,742</u> | <u>76.78%</u> | <u>\$ 261,553</u> | <u>77.22%</u> |

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

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

| Name of related party | Nine months ended September 30 | | | |
|------------------------------|--------------------------------|--------------|--------------|--------------|
| | 2009 | | 2008 | |
| | Amount | % | Amount | % |
| Polaris Securities Co., Ltd. | <u>\$ 9</u> | <u>1.55%</u> | <u>\$ 19</u> | <u>1.32%</u> |

(4) Trading of assets:

A. Nine months ended September 30, 2009: Nil.

B. Nine months ended September 30, 2008:

| <u>Account</u> | <u>Related Party</u> | <u>Asset</u> | <u>Acquisition price</u> |
|----------------------|---|------------------|--------------------------|
| Acquisition of asset | Apex International Financial Engineering Res. & Tech. Co., Ltd. | Office equipment | \$1,000 |
| Acquisition of asset | Polaris Securities Co., Ltd. | Office equipment | 20 |
| | | | <u>\$1,020</u> |

(5) Leasehold properties

| <u>Lessor</u> | <u>Premises in leasehold</u> | <u>Deposits</u> | <u>Rent expense for the nine months ended September 30</u> | |
|------------------------------|---|-----------------|--|-----------------|
| | | | <u>2009</u> | <u>2008</u> |
| Polaris Securities Co., Ltd. | 5F-1, 151, Chongcheng 4th Rd., Kaohsiun | \$ 150 | \$ 403 | \$ 108 |
| | B1, 69, Sec. 2, Dun-hua S. Rd., Taipei (parking lot included) | 100 | 558 | 558 |
| | 10F, 65, 67, 69 and 71, Sec. 2, Dun-hua S. Rd., Taipei (parking lot included) | 3,270 | 10,136 | 8,894 |
| | | <u>\$ 3,520</u> | <u>\$ 11,097</u> | <u>\$ 9,560</u> |

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

(6) Credits and liabilities:

| Items | Name of related party | Sept. 30, 2009 | | Sept. 30, 2008 | |
|---|---|-------------------|---------------|-------------------|---------------|
| | | Amount | % | Amount | % |
| Margin deposits - USD | MF Global Singapore Pte Ltd Taiwan Branch | \$ 518,565 | 3.35% | \$ 723,539 | 4.73% |
| Margin deposits - JPY | MF Global Singapore Pte Ltd Taiwan Branch | 46,963 | 0.30% | 72,241 | 0.47% |
| Margin deposits - GBP | MF Global Singapore Pte Ltd Taiwan Branch | 4,285 | 0.03% | 3,071 | 0.02% |
| Margin deposits - EUR | MF Global Singapore Pte Ltd Taiwan Branch | 26,649 | 0.17% | 830 | 0.01% |
| Margin deposits - HKD | MF Global Singapore Pte Ltd Taiwan Branch | 72,093 | 0.47% | 10,344 | 0.07% |
| | | <u>\$ 668,555</u> | <u>4.32%</u> | <u>\$ 810,025</u> | <u>5.30%</u> |
| Futures trading margins house fund-USD | MF Global Singapore Pte Ltd Taiwan Branch | \$ 270,207 | 48.74% | \$ 252,640 | 24.71% |
| Futures trading margins-house funds - JPY | MF Global Singapore Pte Ltd Taiwan Branch | 21,416 | 3.86% | 28,806 | 2.82% |
| Futures trading margins-house funds - HKD | MF Global Singapore Pte Ltd Taiwan Branch | 28,743 | 5.18% | 6,259 | 0.61% |
| Futures trading margins-house funds - GBP | MF Global Singapore Pte Ltd Taiwan Branch | 7,861 | 1.42% | - | - |
| Futures trading margins-house funds - EUR | MF Global Singapore Pte Ltd Taiwan Branch | 42,619 | 7.69% | - | - |
| | | <u>\$ 370,846</u> | <u>66.89%</u> | <u>\$ 287,705</u> | <u>28.14%</u> |
| Accounts receivable | Polaris Securities Co., Ltd. | \$ 15 | 0.76% | \$ 16 | 2.72% |
| Other receivables | MF Global Hong Kong | \$ 5,263 | 10.66% | \$ - | - |
| Futures traders' equity | Stock Index Fund | \$ 22,306 | 0.14% | \$ 16,982 | 0.11% |
| | Apex International Financial | 4,683 | 0.03% | 510 | - |
| | Polaris Securities Co., Ltd. | 123,706 | 0.80% | 69,563 | 0.46% |
| | Apex Investment Co., Ltd. | - | - | 367 | - |
| | Small Medium Cap Fund | 29,800 | 0.19% | 59,974 | 0.39% |
| | 2001 Fund | - | - | 125,730 | 0.83% |
| | Top 50 Tracker Fund | 58,244 | 0.38% | 143 | - |
| | Polaris Securities Co., Ltd. - hedged warrant | 14,871 | 0.10% | - | - |
| | Polaris Securities Co., Ltd. - hedged structure | 10,639 | 0.07% | - | - |
| | MF Global British | 1,608 | 0.01% | - | - |
| | Polaries Russell Greater China Large Cap | 14,869 | 0.10% | - | - |
| | Value Index Fund | - | - | - | - |
| | Polaris PMAX Investment Trust Fund | 4,193 | 0.03% | - | - |
| | Yong Investment Co., Ltd. | 3,321 | 0.02% | - | - |
| | Ho Ming - Hong | 95,506 | 0.64% | - | - |
| | Ho Ming - Yu | 70,132 | 0.45% | 32,106 | 0.21% |
| | | <u>\$ 453,878</u> | <u>2.96%</u> | <u>\$ 305,375</u> | <u>2.00%</u> |
| Accounts payable | Polaris Securities Co., Ltd. | \$ 14,037 | 27.68% | \$ 16,519 | 32.84% |
| | MF Global Singapore Pte Ltd Taiwan Branch | 212 | 0.42% | 278 | 0.55% |
| | | <u>\$ 14,249</u> | <u>28.10%</u> | <u>\$ 16,797</u> | <u>33.39%</u> |
| Other payable | Polaris Securities Co., Ltd. | \$ - | - | \$ 1,096 | 0.43% |

(7) 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 nine months of 2009 and 2008 were \$34 and \$404, respectively. The transaction condition makes no difference for third parties.

B. Others

| Items | Name of related party | Nine Months Ended September 30 | | | |
|---------------------------|---|--------------------------------|-------|--------|--------|
| | | 2009 | | 2008 | |
| | | Amount | % | Amount | % |
| Computing information fee | Apex International Financial Engineering Res. & Tech. Co., Ltd. | \$ 476 | 0.89% | \$ 450 | 0.87% |
| Marketing fee | Polaris Public Relations Consultants Limited | - | - | 4,000 | 18.61% |
| Interest income | MF Global Singapore Pte Ltd Taiwan Branch | 490 | 0.25% | 10,186 | 3.83% |
| Other incomes | MF Global Hong Kong | 5,263 | 2.47% | - | - |
| Professional fee | Polaris Securities Co., Ltd. | 240 | 4.50% | 276 | 34.67% |
| Donation | Polaris Research Institute | - | - | 800 | 25.32% |
| Postage | Polaris Securities Co., Ltd. | 1 | - | - | - |
| Stationery & printing | Polaris Securities Co., Ltd. | 1 | - | - | - |
| Securities lending fee | Polaris Securities Co., Ltd. | 32 | 0.24% | - | - |
| Securities lending fee | Top 50 Tracker Fund | 8 | 0.06% | - | - |

VI. Pledged assets: Nil.

VII. Significant commitments and contingencies:

The Company adopted "Taiwan Futures Exchange Corporation Guidelines for Use of Irrevocable Standby Letters Of Credit by Futures Commission Merchants in Emergency Measures against Insufficient Adjusted Net Capital" amended on March 14, 2008 and acquired credit line for \$300 million and \$100 million with Chinatrust Commercial Bank and First Commercial Bank, respectively. There is no active in the credit facilities as of September 30, 2009.

VIII. Significant losses due to major disasters: Nil.

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

1. As of September 30, 2009 and 2008 the unexpired futures and option contracts are shown as follows:

A. As of September 30, 2009

| Items | Trading category | Open position | | Amount paid for (received from) premium | Fair value | |
|-----------------------------|---------------------------|----------------|------------------------|---|------------|--------|
| | | Buy / Sell | Number of contracts | | | |
| Futures contract (Domestic) | GTF | Buy | 2 | \$ 978 | \$ 1,001 | |
| | MTX | Buy | 35 | 12,966 | 13,032 | |
| | | Sell | 3 | 1,080 | 1,109 | |
| | TF | Sell | 5 | 4,387 | 4,385 | |
| | TGF | Buy | 7 | 2,604 | 2,721 | |
| | | Sell | 7 | 2,575 | 2,722 | |
| | TX | Buy | 10 | 14,741 | 14,843 | |
| | | Sell | 2 | 2,901 | 2,942 | |
| | Futures contract (Abroad) | Precious metal | Buy | 12 | 24,951 | 25,146 |
| | | | Sell | 28 | 21,709 | 21,732 |
| Index | | Buy | 59 | 102,159 | 102,164 | |
| | | Sell | 45 | 102,153 | 102,105 | |
| Bonds | | Buy | 9 | 33,750 | 33,969 | |
| Agriculture | | Sell | 4 | 3,462 | 3,516 | |
| Foreign currency exchange | | Buy | 6 | 29,338 | 29,730 | |
| | | Sell | 8 | 34,704 | 34,697 | |
| Energy resources | Buy | 1 | 2,237 | 2,271 | | |
| Option contract (Domestic) | TGO call | Buy | 10 | 23 | 45 | |
| | | Sell | 12 | 25 | 55 | |
| | GTO put | Buy | 8 | 19 | 10 | |
| | GTO call | Sell | 8 | 44 | 49 | |
| | AMO put | Sell | 200 | 8 | 4 | |
| | TFO put | Buy | 15 | 1 | - | |
| | TXO put | Buy | 259 | 1,676 | 1,207 | |
| | | Sell | 36 | 287 | 242 | |
| | TEO put | Sell | 25 | 1 | 1 | |
| | TGO put | Sell | 13 | 11 | 4 | |
| | TXO call | Buy | 78 | 732 | 787 | |
| | | Sell | 156 | 751 | 1,095 | |

B. As of September 30, 2008

| Items | Trading category | Open position | | Amount paid for (received from) premium | Fair value | |
|-----------------------------|---------------------------|---------------|------------------------|---|------------|---------|
| | | Buy / Sell | Number of contracts | | | |
| Futures contract (Domestic) | MTX | Sell | 756 | \$ 218,078 | \$ 208,298 | |
| | TF | Buy | 7 | 6,089 | 4,580 | |
| | | Sell | 10 | 7,901 | 6,603 | |
| | TE | Buy | 15 | 14,510 | 13,498 | |
| | | Sell | 25 | 24,390 | 22,795 | |
| | TX | Buy | 147 | 162,856 | 163,052 | |
| | | Sell | 279 | 325,992 | 307,851 | |
| | XIF | Buy | 2 | 1,430 | 1,282 | |
| | | Sell | 40 | 25,428 | 25,569 | |
| | GBF | Buy | 13 | 67,570 | 68,550 | |
| | GTF | Buy | 25 | 9,060 | 8,154 | |
| | | Sell | 12 | 4,227 | 3,864 | |
| | TGF | Buy | 8 | 2,798 | 2,817 | |
| | | Sell | 5 | 1,719 | 1,751 | |
| | GDF | Buy | 3 | 8,690 | 8,782 | |
| | Futures contract (Abroad) | Index | Buy | 7 | 16,134 | 16,274 |
| | | | Sell | 203 | 146,220 | 146,519 |
| Precious metal | | Buy | 349 | 312,428 | 324,061 | |
| | | Sell | 124 | 326,493 | 329,825 | |
| Foreign currency exchange | | Buy | 94 | 358,651 | 359,003 | |
| | | Sell | 7 | 30,687 | 30,554 | |
| Light merchandise | | Sell | 24 | 24,506 | 23,601 | |
| Agriculture | | Buy | 27 | 27,330 | 24,650 | |
| | | Sell | 27 | 43,120 | 38,078 | |
| Bonds | | Buy | 12 | 43,972 | 43,841 | |
| Option contract (Domestic) | GTO call | Sell | 30 | 173 | 109 | |
| | AMO put | Sell | 5 | 116 | 133 | |
| | | Buy | 3,660 | 43,402 | 44,915 | |
| | TXO call | Sell | 12,505 | 19,856 | 9,223 | |
| | | Buy | 1,334 | 22,320 | 28,066 | |
| | TXO put | Sell | 2,929 | 57,722 | 54,395 | |
| | | Buy | 30 | 75 | 15 | |
| | TEO call | Sell | 20 | 67 | 18 | |
| | | Buy | 10 | 45 | 5 | |
| | MSO call | Sell | 20 | 45 | 4 | |
| | | Buy | 60 | 319 | 128 | |
| | XIO call | Sell | 30 | 96 | 61 | |
| | | XIO put | Sell | 30 | 210 | 280 |

2. Fair value of financial assets and liabilities

| Financial instruments | Sept. 30, 2009 | | Sept. 30, 2008 | |
|--|----------------|--------------|----------------|--------------|
| | Book value | Fair value | Book value | Fair value |
| Financial assets | | | | |
| Cash and cash equivalents | \$ 1,911,664 | \$ 1,911,664 | \$ 1,506,325 | \$ 1,506,325 |
| Financial assets at fair value through profit or loss-current | | | | |
| Securities | 2,025 | 2,025 | - | - |
| Equity securities | - | - | 8,943 | 8,943 |
| Derivative financial instruments | 728,461 | 728,461 | 1,095,592 | 1,095,592 |
| Available for sale financial assets-noncurrent | 35,510 | 35,510 | 35,510 | 35,510 |
| Long term equity investment under equity method | 96,529 | 96,529 | - | - |
| Held-to-maturity financial assets -non-current | - | - | 94,229 | 94,229 |
| Other financial assets-non-current | - | - | 40,000 | 40,000 |
| Refundable deposits | 8,484 | 8,484 | 7,683 | 7,683 |
| Financial liabilities | | | | |
| Financial liabilities at fair value through profit or loss-current | | | | |
| Derivative financial instrument | 1,450 | 1,450 | 64,221 | 64,221 |
| Derivative instruments | | | | |
| Futures trading margins-house funds | 554,427 | 554,427 | 1,022,463 | 1,022,463 |
| Futures trading margins-securities | 171,985 | 171,985 | - | - |
| Call options-no hedging | 2,049 | 2,049 | 73,129 | 73,129 |
| Put option liabilities | 1,450 | 1,450 | 64,221 | 64,221 |

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 September 30, 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:

| | Sept. 30, 2009 | | Sept. 30, 2008 | |
|--|---|-------------------|---|---------------------|
| | 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 | | | | |
| Open-end fund | \$ 2,025 | \$ - | \$ - | \$ - |
| Securities | - | - | 8,943 | - |
| Derivative financial instruments | | | | |
| Call option contracts | 2,049 | - | 73,129 | - |
| Future trading margins-house funds | - | 554,427 | - | 1,022,463 |
| Future trading margins-securities | - | 171,985 | - | - |
| Total | \$ 4,074 | \$ 726,412 | \$ 82,072 | \$ 1,022,463 |
| Financial liabilities | | | | |
| Financial liabilities at fair value through profit or loss-current | | | | |
| Derivative financial instruments | | | | |
| Put option liabilities | \$ 1,450 | \$ - | \$ 64,221 | \$ - |

4. All the financial assets are not pledged as of September 30, 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 is 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.

(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 primarily 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 Total liabilities – Futures traders' equity – Reserve for trading losses – Reserve for breach of contract losses | 2,782,334 16,039,388 – 15,457,102 – 3,083 – 186,133 | 707.85% | 2,691,796 15,871,325 – 15,262,666 – 0 – 156,395 | 595.18% | ≥ 100% | Satisfactory to requirements |
| 17 | Current assets Current liabilities | 18,180,758 15,767,643 | 115.30% | 17,917,597 15,633,875 | 114.61% | ≥ 100% | Satisfactory to requirements |
| 22 | Shareholders' equity Minimum paid-in capital | 2,782,334 775,000 | 359.01% | 2,691,796 775,000 | 347.33% | ≥ 60% ≥ 40% | Satisfactory to requirements |
| 22 | Post-adjustment net capital Total margin deposits required for futures traders, not yet offset | 2,621,009 885,908 | 295.86% | 2,454,688 1,357,410 | 180.84% | ≥ 20% ≥ 15% | Satisfactory to requirements |

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 with 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 Co.,Ltd. | Taiwan | Raise the futures trust fund by issuing beneficiary certificates and use the futures trust fund for trading futures and related investments. | \$ 99,990 | \$ - | 9,999 | 33.33% | \$ 96,529 | (\$10,383) | (\$3,461) |

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.