

Polaris MF Global Futures Co., Ltd

Financial Statements for the

Years Ended December 31, 2009 and 2008

Independent Auditors' 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

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## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying balance sheets of Polaris MF Global Futures Co., Ltd. as of December 31, 2009 and 2008 and the related statements of income, changes in shareholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. The financial statements of the Company's investee, MF Global Futures Trust Co.,Ltd., were not audited by us but by other independent accountants, therefore the amounts of MF Global Futures Trust Co.,Ltd. stated in these financial statements were based on the review reports issued by another accounting firm. As of December 31, 2009, the amount of long-term investment in MF Global Futures Trust Co.Ltd. was \$95,373 thousands and held up to 0.49% of total assets value. From January 1 to December 31, 2009, the investment loss to MF Global Futures Trust Co.Ltd. was \$4,617 thousands and held up to (1.06%) of net income before tax.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Polaris MF Global Futures Co., Ltd. as of December 31, 2009 and 2008, and the results of its operations and cash flows for the period started January 1 to December 31, 2009, and 2008, in conformity with "Rules Governing the Preparation of Financial Reports by Futures Commission Merchants" and generally accepted accounting principles in the Republic of China.

As stated in Note III to the financial statements, effective January 1, 2008, the Company adopted the Interpretation 2007-52 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 decreased the Company's net income (after tax) by \$31,065 thousands for the year ended December 31, 2008.

The detailed breakdown schedules to the Polaris MF Global Futures Co., Ltd.'s financial statements were primarily for the purpose of supplementary analysis. We had audited those data by adopting the procedures mentioned in second paragraph. In our opinion, those detailed breakdown schedules to the Polaris MF Global Futures Co., Ltd.'s financial statements were prepared based on the rules and standards mentioned in the third paragraph and present fairly the detailed information to the financial statement of Polaris MF Global Futures Co., Ltd. for the year ended December 31, 2009.

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First Crowe Horwath & Company, CPAs

Taipei, Taiwan

Republic of China

January 28, 2010

#### Notice to Readers

The accompanying financial statements are not intended to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying financial statements and report of the independent accountants are not intended for use by those who are not informed about the accounting principles and auditing standards generally accepted in the Republic of China, and their applications in practice.

POLARIS MF GLOBAL FUTURES CO., LTD.  
Balance Sheets  
December 31, 2009 and 2008  
(In Thousands of New Taiwan Dollars)

ASSETS	Note	2009		2008		LIABILITIES AND SHAREHOLDERS' EQUITY	Note	2009		2008	
		Amount	%	Amount	%			Amount	%		
<b>CURRENT ASSETS</b>		<b>\$ 18,929,120</b>	<b>97</b>	<b>\$ 19,269,040</b>	<b>98</b>	<b>CURRENT LIABILITIES</b>		<b>\$ 16,489,912</b>	<b>84</b>	<b>\$ 16,662,452</b>	<b>84</b>
Cash and cash equivalents	(II)-1, (IV)-1	1,944,890	10	1,680,909	8	Financial liabilities at fair value through profit or loss	(II)-2, (IX)	3,158	-	33,704	-
Financial assets at fair value through profit or loss	(II)-2, (IV)-2	762,698	4	1,347,539	8	Futures traders' equity	(II)-11, (IV)-3, (V)	16,176,211	83	16,179,653	82
Customer margin account	(II)-6, (IV)-3, (V)	16,196,685	83	16,192,511	82	Accounts payable-non-related parties		36,499	-	34,784	-
Deposits for securities borrowed		-	-	11,362	-	Accounts payable-related parties	(V)	11,585	-	17,766	-
Accounts Receivable-non-related parties		1,212	-	919	-	Unearned Receipts		2	-	-	-
Accounts Receivable-related parties	(V)	7	-	3	-	Other payables	(IV)-7	254,997	1	386,836	2
Prepayment		3,705	-	4,709	-	Other current liabilities		7,460	-	9,709	-
Other Receivables		10,866	-	31,024	-	<b>OTHER LIABILITIES</b>		<b>275,651</b>	<b>1</b>	<b>270,194</b>	<b>1</b>
Other Receivables-related parties	(V)	5,263	-	-	-	Reserve for breach of contract losses	(II)-12	192,570	1	164,783	1
Other current assets		3,794	-	64	-	Reserve for trading losses	(II)-13	2,920	-	25,747	-
<b>FUNDS AND LONG-TERM INVESTMENTS</b>	(II)-3 · 4 · 5, (IV)-4	<b>130,883</b>	<b>1</b>	<b>75,510</b>	<b>-</b>	Accrued pension liabilities	(II)-14, (IV)-8	18,358	-	17,376	-
Available for sale financial assets-noncurrent		35,510	-	35,510	-	Reserve for bad debts losses	(II)-15	61,803	-	62,288	-
Long-term investments-equity method		95,373	1	-	-	<b>TOTAL LIABILITIES</b>		<b>16,765,563</b>	<b>85</b>	<b>16,932,646</b>	<b>85</b>
Other financial assets-non-current		-	-	40,000	-						
<b>FIXED ASSETS</b>	(II)-7, (IV)-5	<b>117,461</b>	<b>-</b>	<b>94,197</b>	<b>-</b>	Capital stock	(IV)-9	1,312,763	7	1,312,763	7
Equipments		238,318	1	207,321	1	Common stock		1,312,763	7	1,312,763	7
Prepayment for equipments		20,022	-	11,242	-	Capital surplus		407,633	2	407,633	2
Leasehold improvements		67,138	-	53,722	-	Additional paid-in capital from business merger		46,333	-	46,333	-
Less : accumulated depreciation		( 208,017)	( 1)	( 178,088)	( 1)	Additional paid-in capital in excess of par value		361,300	2	361,300	2
<b>INTANGIBLE ASSETS</b>		<b>5,348</b>	<b>-</b>	<b>6,908</b>	<b>-</b>	Retained earnings		1,081,872	6	1,169,305	6
Deferred pension costs	(II)-14	-	-	842	-	Legal reserve		249,847	1	189,884	1
Other intangible assets	(II)-8	5,348	-	6,066	-	Special reserve	(IV)-10	499,694	3	379,767	2
<b>OTHER ASSETS</b>	(IV)-6	<b>385,019</b>	<b>2</b>	<b>376,692</b>	<b>2</b>	Unappropriated retained earnings	(IV)-11	332,331	2	599,654	3
Operations guarantee deposits	(II)-9	155,000	1	145,000	1	<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>2,802,268</b>	<b>15</b>	<b>2,889,701</b>	<b>15</b>
Clearing and settlement funds	(II)-10	166,000	1	156,000	1	<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>\$ 19,567,831</b>	<b>100</b>	<b>\$ 19,822,347</b>	<b>100</b>
Refundable deposits		8,484	-	7,848	-						
Deferred tax assets-non-current	(II)-16, (IV)-12	55,535	-	67,844	-						
<b>TOTAL ASSETS</b>		<b>\$ 19,567,831</b>	<b>100</b>	<b>\$ 19,822,347</b>	<b>100</b>						

Note: Please refer to the accompanying notes of the financial statements and the audit report signed by First Horwath & Company, CPAs on January 28, 2010.

POLARIS MF GLOBAL FUTURES CO., LTD.

Income Statements

For The Years Ended December 31, 2009 and 2008

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

Descriptions	Note	2009		2008	
		Amount	%	Amount	%
<b>REVENUES</b>	(II)-17				
Brokerage fee revenue		1,369,142	43	1,592,699	23
Future trading margin-securities valuation revenue		45	-	-	-
Service fee revenues from clearing and settlement for others		20,210	1	4,691	-
Gain on derivative financial instruments	(II)-2	1,393,505	44	4,820,732	70
Managed fee revenues		1,130	-	-	-
Customer margin account		542	-	109	-
Deposits for securities borrowed		26,452	1	30,382	-
Nonoperating revenues		360,359	11	450,763	7
<b>Total Revenues</b>		<b>3,171,385</b>	<b>100</b>	<b>6,899,376</b>	<b>100</b>
<b>EXPENSES</b>	(II)-17				
Disbursements handled by broker		( 146,838)	( 5)	( 163,840)	( 2)
Dealer handling fee		( 25,041)	( 1)	( 14,476)	-
Future trading margin-securities valuation loss	(II)-2	( 7,656)	-	-	-
Futures commission fee		( 397,160)	( 13)	( 460,642)	( 7)
Clearance and settlement service fee expenses		( 131,808)	( 3)	( 123,171)	( 3)
Loss on derivative financial instruments	(II)-2	( 1,270,800)	( 40)	( 4,290,249)	( 62)
Futures administrative fee		( 44)	-	( 20)	-
Operating expenses		( 717,503)	( 23)	( 989,048)	( 14)
Nonoperating expenses and losses		( 37,064)	( 1)	( 73,743)	( 1)
<b>Total Expenses</b>		<b>( 2,733,914)</b>	<b>( 86)</b>	<b>( 6,115,189)</b>	<b>( 89)</b>
Net income before income tax		437,471	14	784,187	11
Income tax expenses	(II)-16, (IV)-12	( 131,075)	( 4)	( 184,554)	( 2)
<b>Net income</b>		<b>\$ 306,396</b>	<b>10</b>	<b>\$ 599,633</b>	<b>9</b>
<b>Earnings per share</b>	(II)-20, (IV)-13				
Earning before income tax		\$ 3.33		\$ 5.97	
Income tax expense		( 1.00)		( 1.40)	
<b>Net earning after tax</b>		<b>\$ 2.33</b>		<b>\$ 4.57</b>	

Note: Please refer to the accompanying notes of the financial statements and the audit report signed by First Horwath & Company, CPAs on January 28, 2010.

POLARIS MF GLOBAL FUTURES CO., LTD.  
 Statements of Changes in Shareholders' Equity  
 For The Years Ended December 31, 2009 and 2008  
 (In Thousands of New Taiwan Dollars)

Item	Common stock	Additional paid-in capital	Retained Earnings			Total
			Legal reserve	Special reserve	Unappropriated retained earnings	
Balance, January 1, 2008	\$ 1,096,726	\$ 407,633	\$ 141,013	\$ 282,027	\$ 489,135	\$ 2,416,534
Appropriations of prior year's earnings						
Legal reserve	-	-	48,871	-	( 48,871)	-
Special reserve	-	-	-	97,740	( 97,740)	-
Bonus to employees	27,400	-	-	-	( 27,400)	-
Bonus to directors and supervisors	-	-	-	-	( 343)	( 343)
Cash dividends to shareholders	-	-	-	-	( 126,123)	( 126,123)
Stock dividends to shareholders	188,637	-	-	-	( 188,637)	-
Net Income for the year ended December 31, 2008	-	-	-	-	599,633	599,633
Balance as of December 31, 2008	1,312,763	407,633	189,884	379,767	599,654	2,889,701
Appropriations of prior year's earnings						
Legal reserve	-	-	59,963	-	( 59,963)	-
Special reserve	-	-	-	119,927	( 119,927)	-
Cash dividends to shareholders	-	-	-	-	( 393,829)	( 393,829)
Net Income for the year ended December 31, 2009	-	-	-	-	306,396	306,396
Balance as of December 31, 2009	\$ 1,312,763	\$ 407,633	\$ 249,847	\$ 499,694	\$ 332,331	\$ 2,802,268

Note: 1. Bonuts to Directors & Supervisors and Employee Bonuts had been deducted by \$ 435 and \$ 40985 thousand for year 2008.

2. Please refer to the accompanying notes of the financial statements and the audit report signed by First Horwath & Company, CPAs on January 28, 2010.

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

	2009	2008
Cash flows from operating activities		
Net income	\$ 306,396	\$ 599,633
Adjustments		
Depreciation	33,767	30,962
Amortization	5,458	8,461
Investment loss under equity method	4,617	-
Customer margin account	6,268	776
Deposits for securities borrowed	( 12,959)	36,631
Reserve for breach of contract losses	27,787	31,948
Gain on reversal of trading losses reserve	( 22,828)	(2,724)
Reserve for bad debts losses	( 485)	(316)
Loss on disposal of fixed assets	80	181
(Increase) decrease in call options	( 2,849)	15,731
(Increase) decrease in future trading margin - the Company's own fund	540,025	( 634,579)
(Increase) decrease in future trading margin - securities	154,899	( 154,899)
Increase in customer margin account	( 4,175)	( 1,387,101)
(Decrease) in futures trading margin receivable	-	55
(Increase) decrease in deposits for securities borrowed	11,362	(11,362)
Increase in accounts receivable	( 293)	( 634)
(Increase) decrease in accounts receivable-related party	( 4)	23
(Increase) decrease in other receivables	14,896	( 14,361)
Decrease in prepayments	733	7,940
(Increase) decrease in deferred tax assets	8,605	( 3,658)
Increase in other current assets	( 26)	( 64)
Increase (decrease) in put option liabilities	( 30,546)	15,683
Increase (decrease) in futures traders' equity	( 3,442)	1,394,897
Decrease in notes payable	-	( 2,351)
Increase in accounts payable-non-related party	1,715	3,691
Decrease in notes payable-related party	-	( 4,054)
Increase (decrease) in accounts payable-related party	( 6,181)	246
Increase (decrease) in income tax payables	( 67,513)	62,083
Increase (decrease) in other accounts payable	( 64,326)	163,099
Decrease in other current liabilities	( 2,249)	( 5,374)
Increase in unearned receipts	2	-
Increase (decrease) in accrued pension liabilities	982	( 743)
Net cash provided by operating activities	<u>899,716</u>	<u>149,820</u>

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Cash flows from investing activities		
(Increase) decrease in open-ended fund and monetary market financial instruments	( 100,541)	24,015
Acquisition of fixed assets	( 60,928)	( 52,000)
Disposal of fixed assets	1,546	-
Acquisition of investments accounted for equity method	( 59,990)	-
Increase in intangible assets	( 2,198)	( 1,394)
Decrease in deferred pension costs	842	1,522
Increase in operations guarantee deposits	( 10,000)	( 35,000)
(Increase) decrease in clearing and settlement funds	( 10,000)	10,000
Increase in refundable deposits	( 637)	( 1,934)
Increase in prepaid long-term investments	-	( 40,000)
Net cash used in investing activities	<u>( 241,906)</u>	<u>( 94,791)</u>
Cash flows from financing activities		
Bonus to directors and supervisors	-	( 343)
Cash dividends to shareholders	( 393,829)	( 126,123)
Net cash used in financing activities	<u>( 393,829)</u>	<u>( 126,466)</u>
Net increase (decrease) in cash and cash equivalents	263,981	( 71,437)
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>\$ 1,944,890</u>	<u>\$ 1,680,909</u>
Supplemental Disclosures of cash flow information		
Interest paid	<u>\$ 4,499</u>	<u>\$ 20,591</u>
Income tax paid	<u>\$ 169,301</u>	<u>\$ 125,329</u>

Note: Please refer to the accompanying notes of the financial statements and the audit report signed by First Horwath & Company, CPAs on January 28, 2010.

POLARIS MF GLOBAL FUTURES CO., LTD.

Notes to Financial Statements

For the years ended December 31, 2009 and 2008

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

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. As of December 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 Futures managerial enterprise;
4. H301011 Securities commission.

As of December 31, 2009 and 2008, the Company had 317 and 333 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 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 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 everyday.

Call options for futures commission merchant is the premium paid for purchasing call option contracts or futures option contracts.

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

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

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

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

- (3) Financial assets or liabilities at fair value through profit 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 cost in the end of the period.

#### 4. Investments Accounted for Using Equity Method

- (1) Investments accounted for using equity method 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 Investments accounted for using equity method:
  - 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 Investments accounted for using equity method, 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 Investments

accounted for using equity method 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

A.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.

B.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.

C. 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. Intangible assets

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, a futures proprietary merchant shall lodge additional NT\$10 million in the same financial institution. Furthermore, under Article 11 of Rules Governing Futures Consultation Enterprise, the Company shall lodge NT\$10 million for operating futures consultation to the financial institution mention above. Also, under Article 11 Rules

Governing Futures Managerial Enterprise, the Company shall lodge NT\$25 millions for operating futures managerial. Also, under Securities and Exchange Law, a securities proprietary merchant shall lodge NT\$10 million in the above mentioned financial institution.

#### 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 NT\$2 hundred million, no

additional reserve for trading losses is required to be set aside.

#### 14. Pension Costs

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 Bank of Taiwan.

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

#### 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

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

classified as deferred income tax assets. After analyzing the feasibility of income tax assets, recognize the allowance for reserve amount.

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

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

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

#### 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 indication 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\$31,065 thousand for the year ended December 31, 2008.

#### IV. Explanations on major accounts

##### 1. Cash and cash equivalents

	<u>Dec. 31, 2009</u>	<u>Dec. 31, 2008</u>
Cash	\$ 200	\$ 200
Checking account deposit	130	1,180
Demand deposit	232,174	63,317
Term deposit	1,642,800	1,527,300
Foreign currency deposit	69,586	19,341
Repurchase agreements collateralized by bonds	-	69,571
Total	<u>\$ 1,944,890</u>	<u>\$ 1,680,909</u>

- (1) The bills with repurchase terms shall be valid from December 29, 2008 to January 5, 2009 at the interest rate of 1.05%.
- (2) The aforementioned items have been free of any restriction in disbursement.

##### 2. Financial assets and Liabilities at fair value through profit or loss

	<u>Dec. 31, 2009</u>	<u>Dec. 31, 2008</u>
Financial assets held for trading		
Securities	\$ 110,464	\$ 3,229
Call option - non-hedging	5,434	2,585
Futures trading margins - house funds	646,800	1,186,826
Futures trading margins - quoted securities	-	154,899
Total	<u>\$ 762,698</u>	<u>\$ 1,347,539</u>

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

### 3. Margin deposits

	Dec. 31, 2009	Dec. 31, 2008
Customer margin deposit - Cash at banks	\$ 14,491,372	\$ 14,457,101
Customer margin deposit - Clearinghouse	879,684	918,063
Customer margin deposit - Other FCMs	800,692	817,347
Customer margin deposit - Quoted securities	24,937	-
<b>Total</b>	<b>\$ 16,196,685</b>	<b>\$ 16,192,511</b>

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

	Dec. 31, 2009	Dec. 31, 2008
Balance of margin deposits	\$ 16,196,685	\$ 16,192,511
Minus:		
Accrued service charge & Accrued interest income	( 16,818)	( 8,466)
Futures trading tax	( 1,283)	( 676)
Incorrect desposits from customers	( 2,373)	( 3,716)
<b>Total</b>	<b>\$ 16,176,211</b>	<b>\$ 16,179,653</b>

### 4. Funds and long-term investments

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

Investees	Dec. 31, 2009			Dec. 31, 2008		
	Shares (thousands)	Amount	% of shareholding	Shares (thousands)	Amount	% of shareholding
Taiwan Futures Exchange Corporation	4,259	<u>\$35,510</u>	1.70%	3,992	<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) Investments Accounted for Using Equity Method

Investees	Dec. 31, 2009			Dec.31,2008		
	Shares (thousands)	Amount	% of shareholding	Shares (thousands)	Amount	% of shareholding
MF Global Futures Co.,Ltd.	9,999	<u>\$95,373</u>	33.33%	-	<u>\$ -</u>	-

Note: The Company has a new investment of 9,999 thousand shares of MF Global Futures Co.,Ltd. and holds 33.33% shareholding, therefore adopts the equity method for evaluation. The accounting period of MF Global Futures Co.,Ltd. starts from April. After its financial statements of 2009 are reviewed by accountant, the investment loss of the third quarter is NT\$4,617 thousand dollars.

#### (3) As of December 31, 2009 and 2008, the above financial assets were provided to be

free of any pledges or collateral.

5. Property, plant and equipment

(1) As of December 31, 2009

	Cost	Accumulated depreciation	Balance
	<u>          </u>	<u>          </u>	<u>          </u>
Computer communication equipments	\$ 210,251	\$ 159,012	\$ 51,239
Office equipments	22,268	11,148	11,120
Transportation equipments	5,799	4,118	1,681
Leasehold improvement	67,138	33,739	33,399
Prepayment for equipments	20,022	-	20,022
Total	<u>\$ 325,478</u>	<u>\$ 208,017</u>	<u>\$ 117,461</u>

(2) As of December 31, 2008

	Cost	Accumulated depreciation	Balance
	<u>          </u>	<u>          </u>	<u>          </u>
Computer communication equipments	\$ 182,568	\$ 140,354	\$ 42,214
Office equipments	15,180	9,254	5,926
Transportation equipments	9,573	5,384	4,189
Leasehold improvement	53,722	23,096	30,626
Prepayment for equipments	11,242	-	11,242
Total	<u>\$ 272,285</u>	<u>\$ 178,088</u>	<u>\$ 94,197</u>

(3) Insurance

Insurance	Dec. 31, 2009	Dec. 31, 2008	Remark
<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Computer and office equipment	\$ 232,510	\$ 93,200	December 31, 2009 and 2008 fire insurance (including comprehensive insurance)
Leasehold improvement	68,570	34,100	December 31, 2009 and 2008 fire insurance (including comprehensive insurance)
Total	<u>\$ 301,080</u>	<u>\$ 127,300</u>	

A. The comprehensive insurances for the years of 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 for the years of 2009 and 2008.

6. Other assets

	<u>Dec. 31, 2009</u>	<u>Dec. 31, 2008</u>
Operations guarantee deposits	\$ 155,000	\$ 145,000
Clearing and settlement funds	166,000	156,000
Refundable deposits	8,484	7,848
Deferred income tax assets - noncurrent	55,535	67,844
Total	<u>\$ 385,019</u>	<u>\$ 376,692</u>

7. Other payables

	<u>Dec. 31, 2009</u>	<u>Dec. 31, 2008</u>
Salary payable	\$ 12,472	\$ 13,361
Bonus payable	98,443	156,816
Rent payable	10	45
Interest payable	15,506	8,063
Labor and health insurance payable	3,706	2,875
Professional fees payable	7,117	7,820
Marketing expenses payables	21,850	17,062
Other expenses payable	39,548	31,220
Pension payable	2,074	2,125
Meal expenses payable	564	593
Income tax payable	22,109	89,622
Other payables	31,598	57,234
Total	<u>\$ 254,997</u>	<u>\$ 386,836</u>

8. Accrued pension liabilities

The Company has recognized the pensions cost in accordance with the SFAS No.18 "Accounting for Pensions" since January 1, 1999. According to the Statement, the Company discloses the relevant information about assets and liabilities as following:

(1) Reconciliation of plan funded status to balance sheet amounts

	Dec. 31, 2009	Dec. 31, 2008
Benefit obligation		
Vested benefit obligation	\$ 2,433	\$ 1,277
Non-vested benefit obligation	30,611	29,632
Accumulated benefit obligation	33,044	30,909
Additional benefits based on future salaries	21,323	22,043
Projected benefit obligation	54,367	52,952
Fair value of pension fund asset	( 15,197)	( 13,533)
Funded status	39,170	39,419
Unrecognized transitional benefit obligation	( 148)	( 186)
Unrecognized prior service cost	( 7,960)	( 8,491)
Unrecognized net pension gains or losses	( 12,704)	( 14,208)
Additional minimum pension liability	-	842
Accrued pension liabilities (prior system)	\$ 18,358	\$ 17,376

(2) Components of net periodic pension costs as specified as follows:

	Dec. 31, 2009	Dec. 31, 2008
Service cost	\$ 690	\$ 828
Interest cost	1,456	1,625
Expected return on pension fund asset	( 203)	( 321)
Amortization of net transition obligation	37	37
Amortization of prior service cost	531	531
Amortization of pension gains or losses	686	504
Total	\$ 3,197	\$ 3,204

(3) As of December 31, 2009 and 2008, the vested benefits were \$2,433 and \$1,277, respectively.

(4) The assumptions for Years 2009 and 2008 with respect to calculation of benefit obligation and expected rate of return on pension fund assets:

	2009	2008
Discount rate	2.25%	2.75%
Rate of increase in compensation	3.00%	3.00%
Expected rate of return on pension fund assets	2.25%	1.50%

(5) As of December 31, 2009 and 2008, the balances of pension benefits deposit with the Central Trust of China were \$15,197 and \$13,824, respectively.

(6) 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 as of December 31, 2009 and 2008 were \$12,082 and \$11,714.

## 9. Capital

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

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

- A. Set aside 0.1%~2% as directors' and supervisors' remuneration; and
- B. Set aside 0.1%~10% as employees' bonus; and
- C. The remaining balance shall be distributed as dividends to shareholders.

(2) The policy of the Company's dividend distribution, is to maintain the long-term financial planning and continuous development and steady operation growth as to maximize the profit of shareholders, complies with :

- A. As least 50% of current year's unappropriated earnings shall be distributed as shareholders' dividends annually.
- B. Dividends are distributed based on the current year's profitability and the future needs of the Company. This principle is applied for the stability of the Company's operations and financing requirements. At least 30% of the dividend distributed must be in the form of cash.

(3) The employee bonus and directors and supervisors payable for the years of 2009 and 2008 is estimated based on the Company's Articles of Incorporation, past experience, and current period earning. The accrual payable for the years of 2009 and 2008 are \$26,990 thousand and \$41,420 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 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)

	<u>Policy of Earnings Distribution</u>	<u>Dividends per Share</u>
Leagle Reserve	59,963	\$ -
Special Reserve	119,927	-
Cash Dividend	393,829	3.00
Employee bonus – cash dividend	40,985	-
Bonuts to Directors and Supervisor:	435	-

## 12. Income tax\*

- (1) The Company's income tax returns through 2007 and inclusive have been assessed by the National Tax Administration (NTA). However, in 2005, the division of taxation approved the company should pay an overdue tax 625 thousand as the enterprise income tax for 1998(Included in the income tax expense for 2005 ). After re-examined by The Supreme Administrative Court , and hearing more , the Company has agreed to write off the establishment of reconciliation with the fined matters ."
- (2) The Company already filed its corporate income tax return for the years 2008 on time which is under reviewed by the NTA.

(3) Estimated income tax for the years of 2009 and 2008:

Items	2009	2008
Net profit before tax, at tax rate according to income tax law, ROC	\$ 109,358	\$ 196,037
Permanent differences:		
Bill interest levied separately	( 20)	( 788)
Investment loss recognized under equity method	1,154	-
Adjustment complied with tax regulations	144	14
Loss (gains) on Securities transaction exempted from tax under Article 4-1 of Income Tax Law, ROC	( 3,240)	9,778
Loss (gains) on futures transaction exempted from tax under Article 4-2 of Income Tax Law, ROC	13,622	( 25,322)
Exemption of cash dividends	( 1,002)	( 2,559)
Valuation (gains) loss on financial assets	1,567	( 2,329)
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)
Losses (gains) on uncleamed futures trading in current period	702	( 500)
Losses (gains) on uncleamed options trading in current period	( 1,029)	136
Income tax expenses in the current period	121,620	175,361
Additional 10% of unappropriated retained earnings	2,591	-
Adjustment for fluctuations of income tax rate	13,569	-
Adjustment for prior income tax expenses	( 6,705)	9,193
Income tax expenses	131,075	184,554
Adjustment of temporary differences:		
Unrealized gains on foreign exchange in the prior period	5,202	1,202
Unrealized losses (gains) on foreign exchange in the current period	3,704	( 5,202)
Unrealized trading losses	( 4,565)	( 680)
Unrealized breach of contract losses	5,557	7,987
Unrealized bad debt losses	( 97)	( 79)
Differences in pension cost and appropriation	365	431
Adjustment of prior income tax	6,705	( 9,193)
Adjustment for fluctuations of income tax rate	( 13,569)	-
Income tax prepayment	( 112,268)	( 89,710)
Income tax payable (Note)	<u>\$ 22,109</u>	<u>\$ 89,310</u>

Notes: As of 2008, excluding half of the estimated administrative relief of income tax in 2005 for \$312 thousand dollars.

(4) Effect of deferred income tax

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

	<u>Dec. 31, 2009</u>	<u>Dec. 31, 2008</u>
(A) Total deferred income tax assets	\$ 59,239	\$ 67,844
(B) Total deferred income tax liabilities	-	(5,202)
(C) Temporary differences (tax) arising from deferred income tax assets or liabilities		
(Taxable) deductible provisional difference incurred by recognition of unrealized (gains) losses in foreign exchange	3,704	(5,202)
Deductible provisional differences incurred by recognition of unrealized trading losses	584	6,437
Deductible provisional differences incurred by recognition of unrealized losses on breach of contract	38,514	41,196
Deductible provisional differences incurred by recognition of unrealized bad debts losses	12,361	15,572
Deductible provisional difference incurred by recognition of pension cost under ROC SFAS No.18	4,076	4,639

B. Deferred income tax assets (liability)

Items	<u>Dec. 31, 2009</u>		<u>Dec. 31, 2008</u>	
	Current	Noncurrent	Current	Noncurrent
Deferred income tax assets	\$3,704	\$55,535	\$ -	\$67,844
Deferred income tax liabilities	-	-	(5,202)	-
Net deferred income tax assets (liabilities)	<u>\$3,704</u>	<u>\$55,535</u>	<u>(\$5,202)</u>	<u>\$67,844</u>

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

	<u>Dec. 31, 2009</u>	<u>Dec. 31, 2008</u>
Expected (actual) available ICA	\$ 120,350	\$ 91,648
Expected (actual) ratio of ICA	<u>33.33%</u>	<u>29.79%</u>

(6) Information of unappropriated retained earnings:

	<u>Dec. 31, 2009</u>	<u>Dec. 31, 2008</u>
Before 1997	\$ 21	\$ 21
After 1998	<u>332,310</u>	<u>599,633</u>
Total	<u>\$ 332,331</u>	<u>\$ 599,654</u>

### 13. Earnings per share

	Dec. 31, 2009	Dec. 31, 2008
Net income after tax	\$ 306,396	\$ 599,633
Outstanding (thousand shares)- retroactive upon adjustment	131,276	131,276
Weighted-average number of common shares (thousand)	131,276	131,276
EPS (in dollars)-retroactive upon adjustment	\$ 2.33	\$ 4.57

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

Function Character	Dec. 31, 2009			Dec. 31, 2008		
	Operating cost	Operating expense	Total	Operating cost	Operating expense	Total
Employment						
Payroll	\$ -	\$ 281,715	\$ 281,715	\$ -	\$ 454,240	\$ 454,240
Labor and health insurance	-	17,542	17,542	-	15,439	15,439
Pension fund	-	15,279	15,279	-	14,918	14,918
Others	-	9,477	9,477	-	10,063	10,063
Depreciation	-	33,767	33,767	-	30,962	30,962
Amortization	-	5,458	5,458	-	8,461	8,461

### 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 Certificate hedge	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	Substantial related party

Names of related parties	Relationship with the Company
Taiwan Stock Exchange Capitalization Weighted Stock Index Fund ("TSE Capitalization Weighted Stock Index Fund")	
Polaris International Investment Trust Co., Ltd.-Polaris Various strategic Fund ("Various strategic Fund")	Substantial related party
Polaris International Investment Trust Co., Ltd.-Polaris Fu-Li Strategic Income Fund ("Fu-Li strategic Income Fund")	Substantial related party
Polaris International Investment Trust Co., Ltd. – Polaris 2001 Fund	Substantial related party
Kwong Fong Industries Corp.	The Company's chairman is a relative of this company's chairman
MF Global Overseas Limited	Note 1
MF Global Singapore Pte. Limited Taiwan Branch	Substantial related party
Polaris Public Relations Consultants Ltd.	Substantial related party
Polaris Securities (Hong Kong) Limited	Polaris Securities Co., Ltd.'s subsidiary
Polaris-Propime Securities Investment Advisor Co., Ltd.	Polaris Securities Co., Ltd.'s 100% reinvestment
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.
Ho, Ming-Yu	A relative of the Company's chairman
Ho, Ming-Hong	The Chairman of the Company
Pai, Che-Yu	The Chairman of the Company

- Note 1: The Company's stocks owned by Refco Global holding company were transferred to MF Global Overseas Limited, England. Because those stocks were lost, the ex-right sentence was acquired on December 19, 2006. Both parties had completed the stock title transfer on March 7, 2007.

2. Transactions with the related parties

(1) Brokerage Revenue

Name of related party	Year ended December 31			
	2009		2008	
	Amount	%	Amount	%
Others	\$ 10,227	0.75%	\$ 10,905	0.68%

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

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

Name of related party	Year ended June 30			
	2009		2008	
	Amount	%	Amount	%
Polaris Securities Co., Ltd.	\$ 169,546	42.69%	\$ 208,005	45.16%
MF Global Singapore Pte Ltd Taiwan Branch	135,362	34.08%	141,975	30.82%
Polaris Securities (Hong Kong) Limited	-	-	3,568	0.77%
Total	\$ 304,908	76.77%	\$ 353,548	76.75%

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

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

Name of related party	Year ended December 31			
	2009		2008	
	Amount	%	Amount	%
Polaris Securities Co., Ltd.	\$ 10	1.42%	\$ 22	1.15%

(4) Trading of assets:

A. Year ended December 31, 2009: Nil.

B. Year ended December 31, 2008

Account	Related Party	Asset	Acquisition price
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

Lessor	Premises in leasehold	Deposits	Rent expense for the year ended December 31	
			2009	2008
Polaris Securities Co., Ltd.	5F-1, 151, Chongcheng 4th Rd., Kaohsiun	\$ 150	\$ 538	\$ 210
	B1, 69, Sec. 2, Dun-hua S. Rd., Taipei (parking included)	100	744	744
	10F, 65, 67, 71 and 69, Sec. 2, Dun-hua S. Rd., Taipei (parking included)	3,270	13,515	12,303
		<u>\$ 3,520</u>	<u>\$ 14,797</u>	<u>\$ 13,257</u>

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

## (6) Credits and liabilities:

Items	Name of related party	December 31, 2009		December 31, 2008	
		Amount	%	Amount	%
Margin deposits - USD	MF Global Singapore Pte Ltd Taiwan Branch	\$ 581,869	3.59%	\$ 546,518	3.37%
Margin deposits - JPY	MF Global Singapore Pte Ltd Taiwan Branch	27,874	0.17%	85,579	0.53%
Margin deposits - GBP	MF Global Singapore Pte Ltd Taiwan Branch	6,569	0.04%	5,985	0.04%
Margin deposits - EUR	MF Global Singapore Pte Ltd Taiwan Branch	14,509	0.09%	8,238	0.05%
Margin deposits - HKD	MF Global Singapore Pte Ltd Taiwan Branch	113,046	0.70%	21,275	0.13%
		<u>\$ 743,867</u>	<u>4.59%</u>	<u>\$ 667,595</u>	<u>4.12%</u>
Futures trading margins house fund-USD	MF Global Singapore Pte Ltd Taiwan Branch	\$ 277,016	42.83%	\$ 454,515	38.30%
Futures trading margins- house funds - JPY	MF Global Singapore Pte Ltd Taiwan Branch	20,898	3.23%	12,503	1.05%
Futures trading margins- house funds - HKD	MF Global Singapore Pte Ltd Taiwan Branch	29,194	4.51%	7,502	0.63%
Futures trading margins- house funds - GBP	MF Global Singapore Pte Ltd Taiwan Branch	15,087	2.33%	-	-
Futures trading margins- house funds - EUR	MF Global Singapore Pte Ltd Taiwan Branch	46,422	7.18%	-	-
		<u>\$ 388,617</u>	<u>60.08%</u>	<u>\$ 474,520</u>	<u>39.98%</u>
Securities borrowed	Top 50 Tracker Fund	\$ -	-	\$ 6,671	58.71%
Accounts receivable	Polaris Securities Co., Ltd.	\$ 7	0.58%	\$ 3	0.33%
Other receivables	MF GLOBAL HONG KONG	\$ 5,263	32.63%	\$ -	-
Futures traders' equity	TSE Capitalization Weighted	\$ 22,316	0.14%	\$ 21,882	0.14%
	Apex International Financial Engineering Res. & Tech. Co., Ltd.	3,011	0.02%	4,097	0.03%
	Polaris Securities Co., Ltd.	57,029	0.35%	167,179	1.03%
	MF Global Overseas Limited (HK)	15,478	0.10%	-	-
	Apex Investment Co., Ltd.	-	-	367	-
	Small Medium Cap Fund	29,821	0.18%	31,769	0.20%
	Top 50 Tracker Fund	7	-	-	-
	2001 Fund	-	-	15,808	0.10%
	Polaris Securities Co., Ltd. - certificate hedge	13,274	0.08%	21,349	0.13%
	Polaris Securities Co., Ltd. - structure hedge	10,643	0.07%	-	-
	Yoing Investment Co., Ltd.	10,393	0.06%	-	-
	Ho Ming - Hong	150,648	0.93%	32	-
	Ho Ming - Yu	133,794	0.83%	37,334	0.23%
	PMAX Polaris Securities Fund	1,804	0.01%	-	-
	TSE Capitalization Weighted	11,856	0.07%	-	-
	Pai Che - Yu	1	-	1	-
	MF Global Overseas Limited, England	1,607	0.01%	-	-
		<u>\$ 461,682</u>	<u>2.85%</u>	<u>\$ 299,818</u>	<u>1.86%</u>
Accounts payable	Polaris Securities Co., Ltd.	\$ 11,178	23.25%	\$ 17,322	32.96%
	MF Global Singapore Pte Ltd Taiwan Branch	407	0.85%	444	0.84%
		<u>\$ 11,585</u>	<u>24.10%</u>	<u>\$ 17,766</u>	<u>33.80%</u>
Other payable	Polaris Securities Co., Ltd.	\$ 720	3.45%	\$ -	-

(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 years of 2009 and 2008 were \$89 and \$430, respectively. The transaction condition makes no different for third parties.

B. Others

Items	Name of related party	Year Ended June 30			
		2009		2008	
		Amount	%	Amount	%
Computing information fee	Apex International Financial Engineering Res. & Tech. Co., Ltd.	\$ 631	0.87%	\$ 600	0.84%
Marketing fee	Polaris Public Relations Consultants Limited	-	-	4,000	14.88%
Interest income	MF Global Singapore Pte Ltd Taiwan Branch	530	0.22%	10,186	2.68%
Professional fee	Polaris Securities Co., Ltd.	740	12.52%	416	11.05%
Donation	Polaris Research Institute	-	-	800	19.23%
Miscellaneous	Apex International Financial Engineering Res. & Tech. Co., Ltd.	1	-	-	-
Stationery & Printing	Polaris Securities Co., Ltd.	2,520	6.46%	-	-
Securities borrowed fee	Polaris Securities Co., Ltd.	1	-	-	-
	Top 50 Tracker Fund	7	-	-	-
Others	Polaris Securities Co., Ltd.	2	-	-	-

C. Compensation paid to the directors, supervisors, general managers, vice general managers and other major management levels in the years of 2009 and 2008 were \$44,173 thousand and \$59,782 thousand, respectively. Please refer to the Company's Shareholder's Annual Meeting Report for detailed information.

VI. Pledge of 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 December 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 December 31, 2009 and 2008 the unexpired futures and option contracts are shown as follows:

A. As of December, 2009

Items	Trading category	Open position		Amount paid for (received from) premium	Fair value
		Buy /	Sell Number of contracts		
Futures contract (Domestic)	MTX		Sell 24	8,828	9,360
	TE		Sell 65	87,696	88,855
	TX	Buy	10	16,146	16,372
		Sell	6	8,802	9,360
	TGF	Buy	9	3,757	3,884
		Sell	9	3,433	3,884
Futures contract (Abroad)	Index Futures	Buy	54	118,761	118,482
		Sell	14	89,636	91,252
	Precious metal Futures	Buy	26	49,659	49,956
		Sell	44	33,483	33,522
	Foreign exchange Futures	Sell	18	86,056	84,907
	Light merchandise	Buy	8	16,292	16,268
	Agriculture Futures	Buy	3	4,989	5,056
		Sell	1	633	666
	Bonds Futures	Sell	2	7,372	7,354
	Option contract (Domestic)	AMO put	Buy	125	5
TXO call		Buy	108	476	807
		Sell	80	1,301	2,479
TXO put		Buy	183	448	188
		Sell	103	64	26
TEO call		Buy	260	1,749	4,437
XIO put		Sell	190	5	1
TEO put	Sell	335	3,147	652	

B. As of December 31, 2008

Items	Trading category	Open position		Amount paid for (received from) premium	Fair value
		Buy / Sell	Number of contracts		
Futures contract (Domestic)	MTX	Buy	924	206,223	210,118
		Sell	223	48,437	49,744
	TF	Buy	11	6,237	6,439
		Sell	198	112,309	118,046
	TE	Buy	24	16,381	16,578
		Sell	11	6,868	7,051
	TX	Buy	1,560	1,399,528	1,418,976
		Sell	1,625	1,427,055	1,442,446
	XIF	Buy	34	19,216	19,385
		Sell	7	3,941	3,956
	GBF	Buy	39	216,893	217,794
	GTF	Buy	11	3,041	2,814
		Sell	15	3,654	3,784
	TGF	Buy	8	2,801	2,739
		Sell	3	1,027	1,029
Futures contract (Abroad)	Index Futures	Buy	31	49,728	49,302
		Sell	46	26,189	26,313
	Precious metal Futures	Buy	33	46,392	47,818
		Sell	23	51,968	53,363
	Foreign exchange Futures	Buy	5	26,350	26,167
	Light merchandise Futures	Buy	24	7,152	7,146
	Agriculture Futures	Buy	7	6,206	6,615
Bonds Futures	Buy	5	18,984	19,525	
Option contract (Domestic)	AMO call	Buy	5	22	22
	AMO put	Buy	1	8	5
	TXO call	Buy	60	811	944
		Sell	8,509	1,780	2,123
	TXO put	Buy	283	1,592	1,580
		Sell	220	30,921	31,183
	TEO call	Buy	10	50	19
		Sell	60	54	32
	XIO call	Buy	10	48	8
	XIO put	Sell	10	91	104
TFO call	Buy	10	3	8	
TFO put	Sell	10	263	263	

## 2. Fair value of financial assets and liabilities

Non-derivative instruments	December 31, 2009		December 31, 2008	
	Book value	Fair value	Book value	Fair value
<b>Financial assets</b>				
Cash and cash equivalents	\$ 1,944,890	\$ 1,944,890	\$ 1,680,909	\$ 1,680,909
Financial assets at fair value through profit or loss - current				
Securities	110,464	110,464	3,229	3,229
Derivative financial instruments	652,234	652,234	1,344,310	1,344,310
Available for sale financial assets-	35,510	35,510	35,510	35,510
Non-current				
Refundable Deposits	8,484	8,484	7,848	7,848
<b>Financial liabilities</b>				
Financial liabilities at fair value through profit or loss-current				
Derivative financial instrument	3,158	3,158	33,704	33,704
<b>Derivative instruments</b>				
Futures trading margins-house funds	646,800	646,800	1,186,826	1,186,826
Futures trading margins-equity securities	-	-	154,899	154,899
Call Options – non-hedging	5,434	5,434	2,585	2,585
Put Option Liabilities	3,158	3,158	33,704	33,704

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 December 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:

	December 31, 2009		December 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	\$ 110,464	-	\$ 3,229	-
Derivative financial instruments				
Call option - non-hedging	5,434	-	2,585	-
Future trading margins-house funds	-	646,800	-	1,186,826
Future trading margins-equity securities	-	-	-	154,899
<b>Total</b>	<b>\$ 115,898</b>	<b>\$646,800</b>	<b>\$ 5,814</b>	<b>\$1,341,725</b>
<b>Financial liabilities</b>				
Financial liabilities at fair value through profit or loss-current				
Derivative financial instruments				
Put option liabilities	\$ 3,158	\$ -	\$ 33,704	\$ -

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

## 5. Financial Risk Information

### (1) Market risk

The major risk of the futures, options and shares trading undertaken by the Company is the market risk arising from the fluctuations in the market prices of the underlying securities. All the tradings 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.

### (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	2,802,268	711.48%	2,889,701	513.76%	≥ 100%	Satisfactory to requirements
	Total liabilities – Futures traders' equity – Reserve for trading losses – Reserve for breach of contract losses	16,765,563 – 16,176,211 – 2,920 – 192,570		16,932,647 – 16,179,653 – 25,747 – 164,783			
17	Current assets Current liabilities	18,929,120 16,489,912	114.79%	19,269,040 16,662,452	115.64%	≥ 100%	Satisfactory to requirements
22	Shareholders' equity	2,802,268	238.49%	2,889,701	372.89%	≥ 60%	Satisfactory to requirements
	Minimum paid-in capital	1,175,000		775,000		≥ 40%	
22	Post-adjustment net capit I	2,686,040	248.76%	2,718,631	246.69%	≥ 20%	Satisfactory to requirements
	Total customer margin deposits required for futures traders, not yet offset	1,079,772		1,102,029		≥ 15%	

XI. Unique risks to FCM's services:

1. Specific risk of futures brokerage business

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

2. Specific risk of futures dealer business

The Company's future dealer business is to trade futures or option contracts using the house fund. The major risk is the market risk for the open position. Supervising the leverage level, evaluating the open positions, and real-time electronic programming

monitory are implemented to control the risks under the tolerable limitation.

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

## XII. Segment information:

### 1. Departmental information

#### (1) For the Year 2009

Items	Futures Brokerage Business		Futures Dealer Business		Total	
	Amount	%	Amount	%	Amount	%
Profit or loss contributed by segment						
Segment revenues						
Brokerage	\$ 1,369,142	82	\$ -	-	\$ 1,369,142	43
Gain on futures trading margins - secu	-	-	45	-	45	-
Clearance fee from consignment	20,210	1	-	-	20,210	1
Gain on derivative financial instrument	-	-	1,393,505	93	1,393,505	44
Managerial revenues	1,130	-	-	-	1,130	-
Advisory revenues	542	-	-	-	542	-
Other operating revenues	704	-	25,748	2	26,452	1
Nonoperating revenues	277,531	17	82,828	5	360,359	11
Total	1,669,259	100	1,502,126	100	3,171,385	100
Segment expenses						
Brokerage	( 146,838)	( 9)	( 25,041)	( 2)	( 171,879)	( 5)
Loss on futures trading margins - secu	-	-	( 7,656)	-	( 7,656)	-
Futures commission	( 383,922)	( 23)	( 13,238)	( 1)	( 397,160)	( 13)
Clearance fee	( 115,674)	( 7)	( 16,134)	( 1)	( 131,808)	( 4)
Loss on derivative financial instruments	-	-	( 1,270,800)	( 85)	( 1,270,800)	( 40)
Futures administrative	( 2)	-	( 42)	-	( 44)	-
Payroll	( 209,972)	( 13)	( 34,312)	( 2)	( 244,284)	( 8)
Depreciation and amortization	( 24,912)	( 2)	( 4,148)	-	( 29,060)	( 1)
Other operating expenses	( 275,522)	( 16)	( 113,981)	( 8)	( 389,503)	( 12)
Nonoperating expenses and losses	( 35,312)	( 2)	( 1,752)	-	( 37,064)	( 1)
Total	( 1,192,154)	( 72)	( 1,487,104)	( 99)	( 2,679,258)	( 84)
Profit for each segment	477,105	28	15,022	1	492,127	16
Revenues and expenses were indirectly occurred by each segment						
Various revenues					-	-
Administrative expenses					( 54,656)	( 2)
Total					( 54,656)	( 2)
Income before income tax					437,471	14
Income tax expense					( 131,075)	( 4)
Net income					\$ 306,396	10

## (2) For the Year 2008

Items	Futures Brokerage Business		Futures Dealer Business		Total	
	Amount	%	Amount	%	Amount	%
Profit or loss contributed by segment						
Segment revenues						
Brokerage	\$ 1,592,699	80	\$ -	-	\$ 1,592,699	23
Clearance fee from consignment	4,691	-	-	-	4,691	-
Gain on derivative financial instrument	-	-	4,820,732	98	4,820,732	70
Futures advisory fees	109	-	-	-	109	-
Other operating revenues	1,911	-	28,471	1	30,382	1
Nonoperating revenues	392,522	20	50,758	1	443,280	6
Total	1,991,932	100	4,899,961	100	6,891,893	100
Segment expenses						
Brokerage	( 163,840)	( 8)	( 14,476)	-	( 178,316)	( 3)
Futures commission	( 445,344)	( 22)	( 15,298)	-	( 460,642)	( 7)
Clearance fee	( 114,438)	( 6)	( 8,733)	-	( 123,171)	( 2)
Loss on derivative financial instruments	-	-	( 4,290,249)	( 88)	( 4,290,249)	( 62)
Futures administrative	-	-	( 20)	-	( 20)	-
Payroll	( 339,880)	( 17)	( 93,703)	( 2)	( 433,583)	( 6)
Depreciation and amortization	( 7,417)	-	( 2,889)	-	( 10,306)	-
Other operating expenses	( 276,586)	( 14)	( 180,698)	( 4)	( 457,284)	( 7)
Nonoperating expenses and losses	( 28,116)	( 2)	( 45,627)	( 1)	( 73,743)	( 1)
Total	( 1,375,621)	( 69)	( 4,651,693)	( 95)	( 6,027,314)	( 88)
Profit for each segment	616,311	31	248,268	5	864,579	12
Revenues and expenses were indirectly occurred by each segment						
Various revenues					7,483	-
Administrative expenses					( 87,875)	( 1)
Total					( 80,392)	( 1)
Income before income tax					784,187	11
Income tax expense					( 184,554)	( 3)
Net income					\$ 599,633	8

## 2. Territorial information

The Company does not have the foreign operation department.

## 3. Foreign sale information

The Company does not gain the revenue from foreign sale.

## 4. Important customers' information

The Company did not have any single customer from whom the Company received more than 10% of the revenue referred to in the comparable income statement for 2009 and 2008.

XIII. Significant subsequent events: Nil.

XIV. Others

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

XV. Re-investment information:

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%	\$ 95,373	(\$ 13,853)	(\$ 4,617)

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.

