

Polaris MF Global Futures Co., Ltd

Financial Statements for the Nine Months Ended

September 30, 2008 and 2007

Independent Accountants' Review Report

(Stock Code: 6023)

Readers are advised that the original version of these financial statements is in Chinese. If there is any conflict between these financial statements and the Chinese version or any difference in the interpretation of the two versions, the Chinese-language financial statements shall prevail.

Polaris MF Global Futures Co., Ltd

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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, 2008 and 2007 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.

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

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

As stated in Note III-(I) to the financial statements, effective January 1, 2008, the Company adopted the letter issued by the Accounting Research and Development Foundation in Taiwan in March, 2007 to classify the employees' profit sharing and bonus to directors and supervisors as expenses other than distribution of retained earnings. This change in accounting principle had decreased the Company's net income (after tax) by \$7,201 thousands for the first three quarters of the Year 2008.

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

First Horwath & Company, CPAs

Taipei, Taiwan

Republic of China

October 13, 2008

Notice to Readers

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

POLARIS MF GLOBAL FUTURES CO., LTD.
Statement of Balance Sheets
September 30, 2008 and 2007

(In Thousands of New Taiwan Dollars)

ASSETS	Note	September 30, 2008		September 30, 2007		LIABILITIES AND SHAREHOLDERS' EQUITY	Note	September 30, 2008		September 30, 2007	
		Amount	%	Amount	%			Amount	%	Amount	%
CURRENT ASSETS		\$ 17,917,597	97	\$ 16,004,317	97	CURRENT LIABILITIES		\$ 15,633,875	85	\$ 14,450,627	88
Cash and cash equivalents	(II)-1, (IV)-1	1,506,325	8	1,225,203	7	Financial liabilities at fair value through profit or loss	(II)-2, (IX)	64,221	-	22,614	-
Financial assets at fair value through profit or loss	(II)-2, (IV)-2, (IX)	1,104,535	6	516,470	3	Future traders' equity	(II)-10, (IV)-3, (V)	15,262,666	83	14,224,193	87
Margin deposits	(II)-5, (IV)-3, (V)	15,285,162	83	14,244,098	87	Accounts payable-non-related parties		33,505	-	17,860	-
Futures trading margin receivable		55	-	55	-	Accounts payable-related parties	(V)	16,797	-	13,052	-
Accounts Receivable-non-related parties		572	-	2,421	-	Other payables	(IV)-8	250,908	2	168,513	1
Accounts Receivable-related parties	(V)	16	-	-	-	Other current liabilities		5,778	-	4,395	-
Other current assets		20,932	-	16,070	-	OTHER LIABILITIES		237,450	1	226,659	1
FUNDS AND LONG-TERM INVESTMENTS		169,739	-	35,510	-	Reserve for breach of contract losses	(II)-11	156,395	1	125,345	1
Available for sale financial assets-noncurrent	(II)-3, (IV)-4	35,510	-	35,510	-	Reserve for trading losses	(II)-12	-	-	18,120	-
Held-to-maturity financial assets-non-current	(II)-4, (IV)-5	94,229	1	-	-	Accrued pension liabilities	(II)-13, (IV)-9	18,451	-	20,590	-
Other financial assets-non-current		40,000	-	-	-	Reserve for bad debts losses	(II)-14	62,604	-	62,604	-
FIXED ASSETS	(II)-6, (IV)-6	87,208	-	77,634	1	TOTAL LIABILITIES		15,871,325	86	14,677,286	89
Equipments		197,682	1	189,605	2	Capital stock	(IV)-10	1,312,763	7	974,826	6
Prepayment for equipments		12,139	-	973	-	Common stock		1,312,763	7	974,826	6
Leasehold improvements		47,845	-	39,626	-	Capital surplus		407,633	2	46,333	-
Less : accumulated depreciation		(170,458)	(1)	(152,570)	(1)	Premium from business merger		46,333	-	46,333	-
INTANGIBLE ASSETS		9,629	-	21,888	-	Premium from issuing stocks		361,300	2	-	-
Deferred pension costs	(II)-13	2,364	-	6,581	-	Retained earnings		971,400	5	785,904	5
Other intangible assets	(II)-7	7,265	-	15,307	-	Legal reserve		189,884	1	141,013	1
OTHER ASSETS	(IV)-7	378,948	2	345,000	2	Special reserve	(IV)-11	379,767	2	282,027	2
Operations guarantee deposits	(II)-8	145,000	1	110,000	1	Unappropriated retained earnings	(IV)-12	401,749	2	362,864	2
Clearing and settlement funds	(II)-9	167,000	1	175,000	1	TOTAL SHAREHOLDERS' EQUITY		2,691,796	14	1,807,063	11
Refundable deposits		7,683	-	4,444	-	TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		\$ 18,563,121	100	\$ 16,484,349	100
Deferred income tax assets-non-current	(II)-15, (IV)-13	59,265	-	55,556	-						
TOTAL ASSETS		\$ 18,563,121	100	\$ 16,484,349	100						

Note1: Please refer to the accompanying notes of the financial statements and the audit report signed by CPA Eric Lin and Jason Chiu in First Horwath & Company, CPAs on October 13, 2008.

POLARIS MF GLOBAL FUTURES CO., LTD.

Income Statement

For The Nine Months Ended September 30, 2008 and 2007

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

Descriptions	Note	September 30, 2008		September 30, 2007	
		Amount	%	Amount	%
REVENUES	(II)-16				
Brokerage		\$ 1,174,556	24	\$ 1,014,827	30
Clearance fee from consignment		3,442	-	9,063	-
Gain on derivative financial instruments	(II)-2	3,348,400	69	2,018,268	60
Futures advisory revenues		88	-	14	-
Other operating revenues		29,914	1	35,169	1
Nonoperating revenues		308,755	6	293,103	9
Total Revenues		<u>4,865,155</u>	<u>100</u>	<u>3,370,444</u>	<u>100</u>
EXPENSES	(II)-16				
Brokerage fee		(122,798)	(3)	(105,430)	(3)
Dealer handling fee		(10,227)	-	(6,000)	-
Futures commission		(338,693)	(7)	(289,880)	(9)
Clearance fee		(91,910)	(2)	(80,756)	(2)
Loss on derivative financial instruments	(II)-2	(3,016,339)	(62)	(1,789,204)	(53)
Operating expenses		(688,129)	(14)	(582,816)	(17)
Nonoperating expenses and losses		(70,770)	(1)	(59,499)	(2)
Total Expenses		<u>(4,338,866)</u>	<u>(89)</u>	<u>(2,913,585)</u>	<u>(86)</u>
Net income before income tax		526,289	11	456,859	14
Income tax expenses	(II)-15, (IV)-13	(124,561)	(3)	(94,427)	(3)
Net income		<u>\$ 401,728</u>	<u>8</u>	<u>\$ 362,432</u>	<u>11</u>
Earnings per share	(II)-19, (IV)-14				
Earning before income tax		\$ 4.01		\$ 3.83	
Income tax expense		(0.95)		(0.79)	
Net earning after tax		<u>\$ 3.06</u>		<u>\$ 3.04</u>	

Note1: Please refer to the accompanying notes of the financial statements and the audit report signed by CPA Eric Lin and Jason Chiu in First Horwath & Company, CPAs on October 13, 2008.

Note2: Reviewed, not audited for the nine months ended September 30, 2008.

POLARIS MF GLOBAL FUTURES CO., LTD.

Statements of Cash Flows

For The Nine Months Ended September 30, 2008 and 2007

(In Thousands of New Taiwan Dollars)

	<u>September 30, 2008</u>	<u>September 30, 2007</u>
Cash flows from operating activities		
Net income	\$ 401,728	\$ 362,432
Adjustments		
Depreciation	22,935	25,716
Various amortization	7,079	11,838
Loss on disposal of investments	33,390	2,860
Valuation (gain) loss on financial assets	(3,173)	(8,002)
Reserve for breach of contract losses	23,560	20,478
Reserve for trading losses	-	18,120
Gain from written-off trading losses	(28,471)	(34,632)
Loss (gain) on disposal of fixed assets	159	(74,045)
(Increase) Decrease in call options	(54,811)	2,302
(Increase) Decrease in future trading margins - house fund	(470,217)	127,729
Increase in margin deposits	(479,752)	(5,552,723)
Decrease in futures trading margin receivable	-	165
Increase in accounts receivable	(278)	(2,305)
(Increase) Decrease in other receivables	(281)	2,339
Decrease in prepayment	8,661	2,461
(Increase) Decrease in deferred income tax assets (net)	1,770	(1,595)
Decrease in other current assets	-	45
Increase (Decrease) in put option liabilities	46,201	(89,193)
Increase in future traders' equity	477,910	5,558,830
Decrease in notes payable	(2,351)	
Increase (decrease) in accounts payable-non-related party	2,413	(4,782)
Decrease in accounts payable-related party	(4,777)	(2,746)
Increase (Decrease) in income tax payable	6,900	(19,365)
Increase in other payables	82,011	30,067
Decrease in other current liabilities	(6,155)	(3,269)
Increase in accrued pension liabilities	331	1,484
Net cash provided by (used in) operating activities	<u>64,782</u>	<u>374,209</u>

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Cash flows from investing activities

(Increase) Decrease in open fund and monetary market tools	25,491	(6,337)	
Acquisition of fixed assets	(	37,388)	(	149,042)
Sale of fixed assets	-		320,066	
Increase in intangible assets	(	785)	(	4,319)
Increase in operations guarantee deposits	(	35,000)		-
Increase in clearing and settlement funds	(	1,000)	(	35,000)
(Increase) Decrease in refundable deposits	(	1,769)		7,140
Increase in held-to-maturity financial assets-non-current	(	94,229)		-
Prepayment for long-term investments	(	40,000)		
Net cash provided by (used in) investing activities	(	184,680)		132,508

Cash flows from financing activities

Remuneration paid to directors and supervisors	-	(	238)
Cash dividend paid	(126,123)	(	51,960)
Net cash provided by (used in) financing activities	(126,123)	(52,198)
Net decrease in cash and cash equivalents	(246,021)		454,519
Cash and cash equivalents at the beginning of the period	1,752,346		770,684	
Cash and cash equivalents at the end of the year	1,506,325		1,225,203	

Supplemental Disclosures of cash flow information

Interest paid	\$	15,723	\$	19,333
Income tax paid	\$	115,490	\$	114,545

Partial cash paid in investing activities and financing activities:

Cash dividends to shareholders	\$	126,123	\$	64,951
Bonus to directors and supervisors		343		
Less: other payables in the end of the period		(343)		(12,991)
Cash paid in the period	\$	126,123	\$	51,960

Note1: Please refer to the accompanying notes of the financial statements and the audit report signed by CPA Eric Lin and Jason Chiu in First Horwath & Company, CPAs on October 13, 2008.

Note2: Reviewed, not audited for the nine months ended September 30, 2008.

POLARIS MF GLOBAL FUTURES CO., LTD.

Notes to Financial Statements

For the nine months September 30, 2008 and 2007

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

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

I. History and Organization

Polaris MF Global Futures Co., Ltd. (hereinafter referred to as “the Company”) was officially incorporated on April 9, 1997 under the Company Law and other relevant regulations in the Republic of China (“R.O.C.”). The Company was formerly known as “Polaris Futures Co., Ltd.”. In order to expand its business scale and upgrade its operating efficiency, the Company merged with “Refco Taiwan Co., Ltd.” on September 1, 2003 and was renamed as “Polaris Refco Futures Co., Ltd.”. In the end of 2005, in the account of the changes of foreign shareholders, the Extraordinary shareholders’ meeting was held on February 15, 2006, and resolved to change its name to “Polaris Man Financial Futures Co., Ltd.” approved by the Ministry of Economics. On August 1, 1997, the Company following its foreign shareholders’ global policy renamed as “Polaris MF Global Futures Co., Ltd. As of March 31, 2008, the Company has established five branches.

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

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

As of September, 2008 and 2007, the Company had 323 and 275 employees, respectively.

II. Summary of important accounting policies

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

The important accounting policies are summarized as follows:

1. Cash and cash equivalents

Cash and cash equivalents shall include cash in hand, demand deposit, revolving funds and short-term investment, and highly current investment that simultaneously possess the following attributes:

- (1) They can be converted into a certain amount of cash at any time.

- (2) They will become due soon (normally due within three months from the day of investment) while change in the interest rate will have little influence on the value.

2. Financial instruments at fair value through profit or loss

Financial instruments at fair value through profit or loss include financial assets or liabilities held for trading and those at the time initially recognized at fair value through profit or loss. When initially recognized, financial instruments are initially measured by the fair value and transaction cost (or measured by the fair value and transaction cost incurred as expenses), and subsequently measured at fair value and changes in fair value are recognized in profit or loss.

A regular way purchase or sale of financial assets is accounted for using trade date accounting which is the date decided by the Company for purchase or sale of financial assets. Regular way purchase or sale of financial assets is transferred within the duration of time by the regular way of market of governed regulations.

The Company's financial instruments and important accounting policies are summarized as follows:

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

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

- A. instruments acquired primarily for the purpose of sale in the near term.
- B. assets that are part of a group of distinct financial product portfolios under comprehensive management, where there is evidence that in the near term the group is in fact being managed for short-term profit.
- C. derivative financial assets, except those that are designated and effective hedging instruments.

Financial assets for trading shall be stated under their respective categories, according to trading purpose, such as securities, open-end funds, monetary market instruments held through a brokerage, call option contracts, or future trading margins-house funds.

Future trading margins—house funds refer to the guarantee deposits and premiums collected from futures dealer merchants and the spread calculated based on the market prices every day.

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

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

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

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

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

- (3) Financial assets or liabilities at fair value through profit of loss are measured at fair value with the changes in fair value recognized in current income. Except for that the emerging stocks are measured at cost, the publicly traded stocks are measured by the closing price on balance sheet date. The open-end funds are measured by the net assets value on balance sheet date.
- (4) Financial instruments at fair value through profit or loss shall be classified according to liquidity as current or non-current. Those that are non-current shall be reclassified as “financial assets at fair value through profit or loss – non-current” under “funds and the investment” and “financial liabilities at fair value through profit or loss – non-current” under “long-term liabilities”.
- (5) Financial instruments initially recognized with those at fair value through profit or loss cannot be reclassified into other categories; the financial instruments not initially recognized as those at fair value through profit or loss cannot be reclassified into that category either.

3. Available-for-sale financial assets

Regulations required otherwise, available-for-sale financial assets shall be measured at fair value, and the changes of gain or loss are recognized in shareholders' equity. Fair values for beneficiary certificates of open-end funds and publicly traded stocks are determined using the net assets value and the closing-price at the balance sheet date, respectively. OTC stocks with immaterial influence are valued at the cost.

4. Held to maturity financial assets

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

5. Margin deposits

Margin deposits refers to the guarantee deposits and premiums collected from the futures customer and the spread calculated based on the market prices every day. Under Article 71 of the Futures Trading Law, a futures commission merchant shall not withdraw any funds from the segregated customer margin account, unless one of the following situations occurs:

- (1) instructions from the futures customer to deliver the excess margins or premiums;
- (2) payment for the futures customer of the margins/premiums due and/or settlement balance to foreign futures trading houses;
- (3) payment for the futures customer of brokerage commissions, interests, or other transaction fees payable to the futures commission merchant; or
- (4) other items being approved by the competent authorities.

Margin deposits consist of

- (1) Cash in bank: which is the balance of the margin deposit account that a futures commission merchant opens as exclusive customer margin/premium account in a

banking institution, and deposits its futures customers' margins or premiums into such an exclusive account.

- (2) Closing balance in the clearinghouse: which is the clearing balance that a futures commission merchant with qualified clearing membership transfers its customers' margins or premiums to the clearinghouse.
- (3) Closing balance in other qualified futures commission merchants: which is the clearing balance that a futures commission merchant without qualified clearing membership transfers its customers' margins or premiums to qualified futures commission merchants.

6. Fixed assets

Fixed assets are stated at cost. The major improvement, renewal and addition, which can prolong the service life of fixed assets, are counted as capital expenditures and recorded as fixed assets. Expenditures on regular repairs and maintenance are recorded as expenses.

Fixed assets are depreciated according to the service life set forth in the "Fixed Asset Service Life Span" promulgated by the Executive Yuan (the Cabinet), using the average method, with one-year residual value. Renewal and addition are depreciated according to the fixed assets' service life. Major improvement is depreciated based on the remaining service lives of fixed assets. While assets are continually in use after the expiration of its service lives, the residual values and service lives are estimated and depreciated accordingly and continually. The gain (loss) on disposal of assets is recognized as non-operating revenue (expenditure) in the period of sale or disposal.

7. Other intangible assets

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

Acquired from the dissolved Company Refco Taiwan's business rights due to business merger. The residual lives is amortized by using the straight-line method.

8. Operations guarantee deposits

Under Article 14 of Rules Governing Futures Commission Merchants, a futures broker shall, after completing incorporation registration, lodge NT\$50 million in a financial institution designated by the competent authority. An additional amount of NT\$10 million shall be lodged for each branch established. The Company has so far set up five branches. Under the same article, for futures proprietary merchant and futures advisory enterprise shall each lodge additional NT\$10 million in the same financial institution. Furthermore,

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

9. Clearing and settlement funds

Under Article 4, Paragraph 3 of Taiwan Futures Exchange Corporation Criteria for Clearing Membership, before carrying out clearing and settlement operations, the clearing member shall make a deposit to the clearing and settlement fund equal to 20% of its paid-in capital or designated operating funds, but of an amount no more than NT\$40 million. After carrying out clearing and settlement operations, the clearing member shall make deposits to the clearing and settlement fund by the method and in the amount prescribed by the Taiwan Futures Exchange Corporation constantly. Under the same regulation, each time the clearing member consigns an introducing broker or each time such an introducing broker establishes an additional branch, the clearing member shall make an additional clearing and settlement fund deposit of NT\$1 million with the Taiwan Futures Exchange Corporation.

10. Futures traders' equity

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

11. Reserve for breach of contract losses

Under Rules Governing Futures Commission Merchants, the Company engages in futures brokerage business shall, on a monthly basis, set aside 2% of the futures brokerage commission income as reserve for breach of contract losses. The reserve shall not be used except for the purpose of covering the losses arising from customers' futures trading or for the purposes approved by the competent authority. When the accumulated reserve for breach of contract losses reaches the amount of minimum paid-in capital, operation funds, or working capital required by law, no additional reserve for each breach of contract losses is required to be set aside.

12. Reserve for trading losses

Under Rules Governing Futures Commission Merchants, the Company engages in futures dealer business shall, on a monthly basis, set aside 10% from the realized net profit as the reserve for trading losses. The reserve for trading losses shall not be used for purposes other than covering the trading loss amount in excess of the trading profit amount. When the accumulated trading loss reserve reaches the amount of minimum paid-in capital, operation funds, or working capital required by law, no additional reserve

for trading losses is required to be set aside.

13. Pension

The Company complies with SFAS No.18 "Accounting for pensions" to conduct the actuarial calculation. The portion of accumulated obligation payment exceeds fair value of pension fund assets, the Company states it as minimum pension liability in statement of balance sheet. The Company commenced to recognize the pension cost effective from January 1, 1999, and since October 1998, the Company has made monthly contributions, 2% of salaries, to a pension fund in accordance with the Labor Law. The fund is administered by a pension plan committee and under its name in the Central Trust of China.

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

14. Reserve for bad debts losses

According to the related regulations prescribed by the competent authority, futures commission merchants shall make appropriate provisions, within 4 years starting from July 1, 1999 for bad debt at 3% of sales turnover of the principal lines on a monthly basis. In the event of no bad debt available for offset in a month, the sum shall be converted into "reserve for loss in bad debts" at the end of the month. The Company has not needed to appropriate allowance for bad debts since July 1, 2003.

In case of debit balance occurred by Futures traders' equity (i.e., Futures traders' equity appear to be negative, with excessive loss), it shall be entered as "receivables from deposits with other futures brokers" and the reserve for bad debts shall be amortized in full. In the event a futures trader defaults and the company completes the procedures required under "Guidelines for Futures commission Merchants in Reporting Default by Principals", the allowance shall be taken to directly offset the reserve for bad debts after the case is referred to the board of directors and informed to the supervisors. In the event the offset dead credit is retrieved after being entered as loss, the retrieved amount shall be entered as gain in the year of retrieval.

15. Income tax

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

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

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

The R.O.C. government enacted the Alternative Minimum Tax Act (AMT Act), which became effective on January 1, 2006. The alternative minimum tax (AMT) imposed under the AMT Act is a supplemental tax levied at a rate of 10% which is payable if the income tax payable determined pursuant to the Income Tax Law is below the minimum amount prescribed under the AMT Act. The taxable income for calculating the AMT includes most of the tax-exempt income under various laws and statutes. The Company has considered the impact of the AMT Act in the determination of its tax liabilities.

16. Revenue, cost, and expense

Revenue is recognized when it is realized or realizable and earned; the relevant costs match with the revenue and recognized as occurred. Expense accounted by accrual basis shall be recognized as expense in the current period when it occurs.

17. Accounting estimates

Preparing the Company's financial statements in conformity with the R.O.C. generally accepted accounting principles requires the management to make estimates and assumptions that affect reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and reported amount of revenues and expenses during the reporting period. Actual results may differ from those estimates.

18. Distinguish between current and non-current assets and liabilities

The Company only engages in futures business. Assets or liabilities are expected to be converted into cash or to be repaid within 12-month operating period are classified as current and the others are non-current.

19. Earning per common share

The calculation of earning per common share was based on the weighted-average number of the Company's common shares outstanding during the applicable periods. The shares increased by unallocated earnings or capital reserve are calculated through retroactive adjustment.

20. Impairment of assets

The Company adopted SFAS No.35 "Accounting for Asset Impairment". According to SFAS No.35, the Company assesses at each balance sheet date whether there is any indications that an asset (individual asset or cash generation units) other than goodwill may have been impaired and estimate its recoverable amount. If the recoverable amount of an asset is lower than its carrying amount, the carrying amount of the asset should be reduced to its recoverable amount, and the reduction should be recognized as impairment loss.

The accumulated impairment loss of an asset (other than goodwill) recognized in prior years should be reversed if, subsequently, it may no longer exist or may have decreased. The carrying amount of an asset (other than goodwill) after the reversal of impairment loss should not exceed the carrying amount that would have been determined net of depreciation or amortization had no impairment loss been recognized for the asset in the prior year.

If the recoverable value of the unit where the goodwill belongs to is less than the carrying value of the unit, on an annual test basis, the Company shall recognize an impairment loss.

21. Bonus paid to employees, directors and supervisors

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

III. Accounting changes

- (1) Effective on January 1, 2008, the Company adopted Interpretation 2007-052, "Accounting for Bonuses to Employees, Directors and Supervisors" issued in March 2007 by the ARDF, which requires companies to record bonuses paid to employees, directors and supervisors as an expense rather than as an appropriation of earnings. The adoption of this interpretation resulted in a decrease in net income (after income tax) of NT\$7,201 thousand for the nine months ended September 30, 2008.
- (2) The Company has adopted SFAS No.37 "Intangible Assets" effective January 1, 2007. The accounting change has no material effect on the Company's financial statements as of and for the nine months ended September 30, 2007.

IV. Explanations on major accounts

1. Cash and cash equivalents

	<u>Sept. 30, 2008</u>	<u>Sept. 30, 2007</u>
Cash	\$ 200	\$ 200
Checking account deposit	775	72
Demand deposit	95,566	124,782
Term deposit	1,394,000	665,400
Foreign currency deposit	15,784	25,725
Bill with repurchase terms	-	409,024
Total	<u>\$ 1,506,325</u>	<u>\$ 1,225,203</u>

- (1) The bills with repurchase terms shall be valid from September 26, 2007 to October 1, 2007 at the interest rate of 1.92%.
- (2) As of September 30, 2008, the aforementioned items have been free of any restriction in disbursement.

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

	<u>Sept. 30, 2008</u>	<u>Sept. 30, 2007</u>
Financial assets held for trading		
Securities	\$ 4,245	\$ 3,478
Call option - non-hedge	73,129	24,264
Future trading margins – house funds	1,022,463	480,726
Adjust of financial assets held for trading	4,698	8,002
Total	<u>\$ 1,104,535</u>	<u>\$ 516,470</u>

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

(2) As of September 30, 2008, the above financial assets were provided to be free of any pledges or collateral.

3. Margin deposits

	<u>Sept. 30, 2008</u>	<u>Sept. 30, 2007</u>
Customer margin deposit-Cash at banks	\$ 13,306,255	\$ 10,689,567
Customer margin deposit-clearinghouse	1,013,139	2,904,044
Customer margin deposit-Other FCMs	<u>965,768</u>	<u>650,487</u>
Total	<u>\$ 15,285,162</u>	<u>\$ 14,244,098</u>

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

	<u>Sept. 30, 2008</u>	<u>Sept. 30, 2007</u>
Balance of margin deposits	\$ 15,285,162	\$ 14,244,098
Minus:		
Accrued service charge and interest income	(16,218)	(12,772)
Futures trading tax	(1,733)	(1,759)
Incorrect desposits from customers	<u>(4,545)</u>	<u>(5,374)</u>
Total	<u>\$ 15,262,666</u>	<u>\$ 14,224,193</u>

4. Available for sale financial assets – non-current

Investees	<u>Sept. 30, 2008</u>			<u>Sept. 30, 2007</u>		
	Shares (thousands)	Amount	% of shareholding	Shares (thousands)	Amount	% of shareholding
Taiwan Futures Exchange Corporation	<u>3,741</u>	<u>\$35,510</u>	<u>1.70</u>	<u>3,741</u>	<u>\$35,510</u>	<u>1.70</u>

(1) The Company has no material influences on Taiwan Futures Exchange Corporation which is not a listed company and the carrying amount of the assets is valued at cost.

(2) As of September 30, 2008 and 2007, available for sale financial assets were not pledged or mortgaged.

5. Held to maturity financial assets – non-current

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

(1) Government bonds coded A96103 face value \$100,000 thousand, 10 year period, interest payable annually, coupon rate 1.875%, paid in maturity, effective rate 2.622%, and maturity date is on March 16, 2017.

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

6. Fixed assets

(1) As of September 30, 2008

	Cost	Accumulated depreciation	Balance
	<u> </u>	<u> </u>	<u> </u>
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>

(2) As of September 30, 2007

	Cost	Accumulated depreciation	Balance
	<u> </u>	<u> </u>	<u> </u>
Computer communication equipments	167,412	120,877	46,535
Office equipments	12,620	7,445	5,175
Transportation equipments	9,573	3,572	6,001
Leasehold improvement	39,626	20,676	18,950
Prepayment for equipments	973	-	973
Total	<u>\$230,204</u>	<u>\$152,570</u>	<u>\$77,634</u>

(3) Insurance

Insurance	Sept. 30, 2008	Sept. 30, 2007	Remark
<u> </u>	<u> </u>	<u> </u>	<u> </u>
Building	\$ -	\$ 32,000	fire insurance (including comprehensive insurance)
Computer and office equipment	93,200	91,200	fire insurance (including comprehensive insurance)
Leasehold improvement	34,100	28,300	fire insurance (including comprehensive insurance)
Total	<u>\$ 127,300</u>	<u>\$ 151,500</u>	

A. The comprehensive insurances for 2008 and 2007 consisted of explosion insurance, earthquake insurance, flood insurance and suspended operation insurance, smoke insurance, automatic fire-fighting equipment leakage insurance and strike, riot, civil disturbance and intentional deterioration insurances.

B. The Company is covered by the public accidental liability insurance as of 2008 and 2007.

7. Other assets

	<u>Sept. 30, 2008</u>	<u>Sept. 30, 2007</u>
Operations guarantee deposits	\$ 145,000	\$ 110,000
Clearing and settlement funds	167,000	175,000
Refundable deposits	7,683	4,444
Deferred income tax assets - non-current	59,265	55,556
Total	<u>\$ 378,948</u>	<u>\$ 345,000</u>

8. Other payables

	<u>Sept. 30, 2008</u>	<u>Sept. 30, 2007</u>
Salary payable	\$ 13,197	\$ 10,600
Bonus payable	125,769	42,995
Interest payable	17,610	24,500
Labor and health insurance payable	2,845	2,570
Professional fees payable	5,695	7,544
Marketing expenses payable	12,700	11,289
Income tax payable	34,440	32,754
Cash dividend payable	-	12,991
Other payables	38,652	23,270
Total	<u>\$ 250,908</u>	<u>\$ 168,513</u>

9. Accrued pension liabilities

- (1) The Company has recognized the pensions cost in accordance with the SFAS No.18 "Accounting for Pensions" since January 1, 1999. The Company recognized pension cost of \$2,403 and \$3,198 for the nine months ended September 30 2008 and 2007, respectively. As of September 30, 2008, the balance of pension account in Central Trust of China was \$13,180.
- (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, 2008 and 2007 were \$8,615 and \$8,667, respectively. The accrued pension liability booked as of September 30, 2008 and 2007 were \$1,023 and \$885, respectively.

10. Capital

Date	Registered capital	Paid-in capital	Par value	Remarks
Apr. 9, 1997	\$200,000	\$200,000	\$10	Initial capital upon founding
Feb. 9, 1998	500,000	500,000	10	Capital increased in cash 30,000,000 shares
May 27, 1998	600,000	600,000	10	Capital increased in cash 10,000,000 shares
Jul. 22, 1999	615,000	615,000	10	Capital increased in cash 1,500,000 shares
Aug. 26, 2000	630,000	630,000	10	Capital increased in cash 1,500,000 shares
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

11. Special reserve

Under Article 18 of Rules Governing Futures Commission Merchants issued by FSC of the Financial Supervisory Commission, Executive Yuan, the futures commission merchants shall set aside an amount equal to 20% of its after-tax net income as special reserve, provided that this shall not be required if the accumulated amount reaches the paid-in capital amount. The special reserve shall not be used for purposes other than covering the losses of the Company or, when the special reserve reaches 50% of the amount of paid-in capital, half of it may be capitalized.

12. Distribution of retained earnings

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

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

- C. The remaining balance shall be distributed as dividends to shareholders.
- (2) The policy of the Company's dividend distribution, is to maintain the long-term financial planning and continuous development and steady operation growth as to maximize the profit of shareholders, complies with :
- A. As least 50% of current year's unappropriated earnings shall be distributed as shareholders' dividends annually.
- B. Dividends are distributed based on the current year's profitability and the future needs of the Company. This principle is applied for the stability of the Company's operations and financing requirements. At least 30% of the dividend distributed must be in the form of cash.
- (3) The employee bonus and payment to directors and supervisors payable for Q3 2008 is estimated based on the Company's Articles of Incorporation, historical distribution, and current period earning. The accrual payable for Q3 2008 is \$9,601.
- (4) After the imputation system was enforced in 1998, the Company's earnings are not distributed is subject to additional 10% income tax. There will be no more levy imposed if the earnings are not distributed in subsequent years.
- (5) The retained earnings distributed as employees' bonus and directors' bonus are disclosed detailed as following: (as for the detail of proposed distribution, refer to market Observation Post System of Taiwan Stock Exchange)

	2007			
	The actual distribution of number of shares resolved by the meeting of stockholders	Distribution of number of shares resolved by the Board of Directors	Difference	Reason of difference
1. Distribution				
(1) Employee bonus – cash dividend	\$ -	\$ -	-	-
(2) Employee bonus – stock dividend				
(a) Number of shares	2,740	2,740	-	-
(b) Amount	27,400	27,400	-	-
(c) Percentage of number of shares outstanding at the end of the year	2.50%	2.50%	-	-
(3) Directors' and supervisors' remuneration	343	343	-	-
2. Earnings per share				
(1) Original earnings per share	\$4.96	\$4.96	-	-
(2) Imputed earnings per share	\$4.67	\$4.67	-	-

13. Income tax

- (1) The Company's income tax returns through 2006 have been assessed by the National Tax Administration (NTA). Additional income tax of \$1,025 were levied by the NTA for 1998. The Company accrued appropriate tax provisions in 2005 and filed an appeal to the Taiwan High Court which is still under review.
- (2) The Company already filed its corporate income tax return for the year 2007 on time, which is being reviewed by the NTA.
- (3) Estimated income tax for Q3 2008 and 2007:

Items	Sept. 30, 2008	Sept. 30, 2007
Net profit before tax, at tax rate according to income tax law, ROC	\$ 131,562	\$ 114,204
Permanent differences:		
Bill interest levied separately	(764)	(896)
Exemption of cash dividends	(2,546)	(2,827)
Valuation gains on financial assets	(793)	(2,001)
Loss or gains on Securities transaction exempted from tax under Article 4-1 of Income Tax Law, ROC	8,347	715
Loss or gains on futures transaction exempted from tax under Article 4-2 of Income Tax Law, ROC	(6,215)	(21,304)
Gains on futures transaction which is unrealized in the prior year and closed in the current year	1,338	12,031
Losses on option contracts which is unrealized in the prior year and closed in the current year	(444)	(8,911)
Gains on unrealized futures trading in current period	(9,870)	(810)
Gains on unrealized options trading in current period	(5,257)	(1,481)
Losses on land trading	-	4,094
Adjustment complied with tax regulations	10	10
Income tax expenses in the current period	<u>115,368</u>	<u>92,824</u>
Adjustment for prior income tax expenses	9,193	1,603
Income tax expenses	<u>124,561</u>	<u>94,427</u>
Adjustment of temporary differences:		
Unrealized losses on foreign currency exchange in the prior period	-	(188)
Unrealized gains on foreign currency exchange in the prior period	1,202	13
Unrealized gains on foreign currency exchange in the current period	(2,051)	(665)
Unrealized trading losses	(7,118)	(4,128)
Unrealized breach of contract losses	5,890	5,119
Differences in pension cost and appropriation	306	603
Adjustment of prior income tax	(9,193)	(1,603)
Income tax prepaid	<u>(79,670)</u>	<u>(61,337)</u>
Income tax payable (Note)	<u>\$ 33,927</u>	<u>\$ 32,241</u>

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

(4) Effect of deferred income tax

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

	Sept. 30, 2008	Sept. 30, 2007
(A) Total deferred income tax assets	\$ 59,265	\$ 55,556
(B) Total deferred income tax liabilities	(2,051)	(665)
(C) Temporary differences (tax) arising from deferred income tax assets or liabilities		
• Payable provisional difference incurred by recognition of unrealized gains on foreign currency exchange	(2,051)	(665)
• Deductible provisional differences incurred by recognition of unrealized trading losses	-	4,530
• Deductible provisional difference incurred by recognition of unrealized losses on breach of contract	39,099	31,336
• Deductible provisional differences incurred by recognition of unrealized bad debts losses	15,651	15,651
• Deductible provisional difference incurred by recognition of pension cost under ROC SFAS No.18	4,515	4,039

B. Deferred income tax assets (liability)

Items	Sept. 30, 2008		Sept. 30, 2007	
	Current	Noncurrent	Current	Noncurrent
Deferred income tax assets	\$ -	\$ 59,265	\$ -	\$ 55,556
Deferred income tax liabilities	(2,051)	-	(665)	-
Net deferred income tax assets (liabilities)	(\$ 2,051)	\$ 59,265	(\$ 665)	\$ 55,556

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

	Sept. 30, 2008	Sept. 30, 2007
Expected (actual) available ICA	\$ 42,815	\$ 54,491
Expected (actual) ratio of ICA	19.23%	33.55%

(6) Information of unappropriated retained earnings:

	Sept. 30, 2008	Sept. 30, 2007
Before 1997	\$ 21	\$ 432
After 1998	401,728	362,432
Total	\$ 401,749	\$ 362,864

14. Earnings per share

	Nine months ended September	
	2008	2007
Net income after tax	\$ 401,728	\$ 362,432
Outstanding (thousand shares)	131,276	97,483
Weighted-average number of common shares (thousand shares)- retroactive upon adjustment	131,276	119,086
EPS (in dollars)-retroactive upon adjustment	\$ 3.06	\$ 3.04

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

Function Character	Nine months ended September 30					
	2008			2007		
	Operating cost	Operating expense	Total	Operating cost	Operating expense	Total
Employment						
Payroll	- \$	297,922	\$ 297,922	- \$	219,028	\$ 219,028
Labor and health insurance	-	11,373	11,373	-	10,546	10,546
Pension fund	-	11,018	11,018	-	11,865	11,865
Others	-	5,780	5,780	-	4,689	4,689
Depreciation	-	22,935	22,935	-	25,030	25,030
Amortization	-	7,079	7,079	-	11,838	11,838

V. Transactions with related parties

1. Names and relationships of related parties

Names of related parties	Relationship with the Company
Polaris Securities Co., Ltd.	The Company's parent company
Apex International Financial Engineering Res. & Tech. Co., Ltd.	Substantial related party
Polaris International Investment Trust Co., Ltd. – Polaris Silicon Valley Fund (“Silicon Valley Fund”)	Substantial related party
Polaris International Investment Trust Co., Ltd. – Polaris Small Medium Cap Fund (“Small Medium Cap Fund”)	Substantial related party
Polaris International Investment Trust Co., Ltd. – Polaris Taiwan Top 50 Tracker Fund (“Top 50 Tracker Fund”)	Substantial related party
Polaris International Investment Trust Co., Ltd. – Polaris Taiwan Stock Exchange Capitalization Weighted Stock Index Fund (“TSE Capitalization Weighted Stock Index Fund”)	Substantial related party
Polaris International Investment Trust Co., Ltd.-Polaris Various strategic Fund (“Various strategic Fund”)	Substantial related party
Polaris International Investment Trust Co., Ltd.-Polaris Fu-Li Strategic Income Fund (“Fu-Li strategic Income Fund”)	Substantial related party
Polaris International Investment Trust Co., Ltd. – Polaris 2001 Fund	Substantial related party
Kwong Fong Industries Corp.	The Company's chairman is a relative of this company's chairman
MF Global Overseas Limited	Note 1
MF Global Singapore Pte. Limited Taiwan Branch	Substantial related party
Polaris Public Relations Consultants Ltd.	Substantial related party
Polaris Securities (Hong Kong) Limited	Polaris Securities Co., Ltd.'s subsidiary
Polaris-Propime Securities Investment Advisor Co., Ltd.	Polaris Securities Co., Ltd.'s subsidiary
Rosenthal Collins Group Ltd.	The chairman is the same as the Company's
Apex Investment Co., Ltd.	Substantial related party
Yoing Investment Co., Ltd.	Substantial related party
Polaris Research Institute	The Company donated one-third of paid-in fund of the Institute

Names of related parties	Relationship with the Company
Chinese Taipei Skating Union	The Chairman is the chairman of Polaris Securities Co., Ltd.
Bank of Overseas Chinese	Substantial related party, Note 2
Ho Ming-Yu	A relative of the Company's chairman
Pai Wen-Cheng	The Chairman of Polaris Securities Co., Ltd., Note 3
Pai Che-Yu	A relative of the parent Company's chairman
Pai Che-Ren	A relative of the parent Company's chairman
Ho Ming-Hong	The Chairman of the Company

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

Note 2: Bank of Overseas Chinese had merged with Citi Bank in December 2007 and was not related party with the Company on the date of merge.

Note 3: Ceased.

2. Transactions with the related parties

(1) Brokerage revenue

Name of related party	Nine months ended September 30			
	2008		2007	
	Amount	%	Amount	%
Others	\$ 8,490	0.72%	\$ 9,750	0.96%

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			
	2008		2007	
	Amount	%	Amount	%
Polaris Securities Co., Ltd.	\$ 155,510	45.91%	\$ 159,681	55.09%
MF Global Singapore Pte Ltd Taiwan Branch	102,475	30.26%	97,296	33.56%
Polaris Securities (Hong Kong) Limited	3,568	1.05%	4,456	1.54%
Total	<u>\$ 261,553</u>	<u>77.22%</u>	<u>\$ 261,433</u>	<u>90.19%</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			
	2008		2007	
	Amount	%	Amount	%
Polaris Securities Co., Ltd.	<u>\$ 19</u>	<u>1.32%</u>	<u>\$ 15</u>	<u>0.04%</u>

- (4) Trading of assets:

A. Nine months ended September 30, 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>

B. Nine months ended September 30, 2007

Account	Related Party	Asset	Disposal price	Gain (loss) on disposal
Disposal of asset	Polaris Securities Co., Ltd.	Land and Building	\$320,067 (Note)	\$74,588

Note: The disposal price is based on the evaluation by the CCIS Real Estate Appraisers Firm.

(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>2008</u>	<u>2007</u>
Polaris Securities Co., Ltd.	5F-1, 151, Chongcheng 4th Rd., Kaohsiun	\$ -	\$ 108	\$ 108
	B1, 69, Sec. 2, Dun-hua S. Rd., Taipei (parking lot included)	100	558	534
	10F, 67 and 69, Sec. 2, Dun-hua S. Rd., Taipei (parking lot included)	1470	4422	491
	10F, 65 and 71, Sec. 2, Dun-hua S. Rd., Taipei (parking lot included)	1800	4472	-
		<u>\$ 3,370</u>	<u>\$ 9,560</u>	<u>\$ 1,133</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, 2008		Sept. 30, 2007	
		Amount	%	Amount	%
Margin deposits - USD	MF Global Singapore Pte Ltd Taiwan Branch	\$ 723,539	4.73%	\$ 450,817	3.16%
Margin deposits - JPY	MF Global Singapore Pte Ltd Taiwan Branch	72,241	0.47%	66,749	0.47%
Margin deposits - GBP	MF Global Singapore Pte Ltd Taiwan Branch	3,071	0.02%	2,898	0.02%
Margin deposits - EUR	MF Global Singapore Pte Ltd Taiwan Branch	830	0.01%	609	-
Margin deposits - HKD	MF Global Singapore Pte Ltd Taiwan Branch	10,344	0.07%	-	-
Margin deposits - HKD	Polaris Securities (Hong Kong) Limited	-	-	9,487	0.07%
Margin deposits - NTD	Bank of Overseas Chinese	-	-	683,104	4.80%
		<u>\$ 810,025</u>	<u>5.30%</u>	<u>\$ 1,213,664</u>	<u>8.52%</u>
Futures trading margins house fund-USD	MF Global Singapore Pte Ltd Taiwan Branch	\$ 252,640	24.71%	\$ 49,236	10.24%
Futures trading margins-house funds - JPY	MF Global Singapore Pte Ltd Taiwan Branch	28,806	2.82%	12,741	2.65%
Futures trading margins-house funds - HKD	MF Global Singapore Pte Ltd Taiwan Branch	6,259	0.61%	-	-
Futures trading margins-house funds - HKD	Polaris Securities (Hong Kong) Limited	-	-	7,442	1.55%
		<u>\$ 287,705</u>	<u>28.14%</u>	<u>\$ 69,419</u>	<u>14.44%</u>
Accounts receivable	Polaris Securities Co., Ltd.	\$ 16	2.72%	\$ -	-
Futures traders' equity	Stock Index Fund	\$ 16,982	0.11%	\$ 5,674	0.04%
	Apex International Financial	510	-	1,903	0.01%
	Polaris Securities Co., Ltd.	69,563	0.46%	86,681	0.61%
	Apex Investment Co., Ltd.	367	-	8,159	0.06%
	Small Medium Cap Fund	59,974	0.39%	1,026	0.01%
	Silicon Valley Fund	-	-	20,004	0.14%
	2001 Fund	125,730	0.83%	-	-
	Top 50 Tracker Fund	143	-	45,004	0.32%
	Yoing Investment Co., Ltd.	-	-	1,004	0.01%
	Ho Ming - Hong	-	-	131,615	0.93%
	Ho Ming - Yu	32,106	0.21%	179,873	1.26%
	Pai Wen - Cheng	-	-	5	-
	Pai Che - Yu	-	-	1	-
	Pai Che - Ren	-	-	532	-
	Lee Wen - Xing	-	-	18,548	0.13%
		<u>\$ 305,375</u>	<u>2.00%</u>	<u>\$ 500,029</u>	<u>3.52%</u>
Accounts payable	Polaris Securities Co., Ltd.	\$ 16,519	32.84%	\$ 12,642	40.89%
	MF Global Singapore Pte Ltd Taiwan Branch	278	0.55%	410	1.33%
		<u>\$ 16,797</u>	<u>33.39%</u>	<u>\$ 13,052</u>	<u>42.22%</u>
Other payable	Polaris Securities Co., Ltd.	\$ 1,096	0.43%	\$ 503	0.30%

(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 2008 and 2007 were \$404 and \$130, respectively. The transaction condition makes no difference for third parties.

B. Others

Items	Name of related party	Nine Months Ended September 30			
		2008		2007	
		Amount	%	Amount	%
Computing information fee	Apex International Financial Engineering Res. & Tech. Co., Ltd.	\$ 450	0.87%	\$ 598	1.31%
Marketing fee	Polaris Public Relations Consultants Limited	4,000	18.61%	3,600	17.32%
Interest income	MF Global Singapore Pte Ltd Taiwan Branch	10,186	3.83%	14,139	8.45%
	Bank of Overseas Chinese	-	-	12,614	7.54%
Professional fee	Polaris Securities Co., Ltd.	276	34.67%	91	1.59%
Donation	Polaris Research Institute	800	25.32%	1,700	69.39%
Bank deposits-house	Bank of Overseas Chinese	-	-	22,439	1.83%
Interest fee	MF Global Singapore Pte Ltd Taiwan Branch	-	-	8	0.02%

VI. Pledged Assets: Nil.

VII. Significant Commitments and contingencies: Nil.

VIII. Significant losses due to major disasters: Nil.

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

1. As of September 30, 2008 and 2007 the unexpired futures and option contracts are shown as follows:

A. As of September 30, 2008

Items	Trading category	Open position		Number of contracts	Amount paid for (received from) premium	Fair value
		Buy /	Sell			
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

Items	Trading category	Open position		Number of contracts	Amount paid for (received from) premium	Fair value
		Buy /	Sell			
Option contract (Domestic)	GTO call		Sell	30	\$ 173	\$ 109
	Stock put		Sell	5	116	133
	TXO call	Buy		3,660	43,402	44,915

B. As of September 30, 2007

Items	Trading category	Open position		Amount paid for (received from) premium	Fair value	
		Buy / Sell	Number of contracts			
Futures contract (Domestic)	MTX	Buy	1	\$ 450	\$ 475	
		Sell	12	5,588	5,702	
	TX	Buy	54	99,878	102,513	
		Sell	7	12,977	13,306	
	TF	Buy	2	2,011	2,078	
		Sell	2	1,916	2,086	
	TE	Buy	24	36,014	38,016	
		Sell	24	35,408	37,499	
	Futures contract (Abroad)	GDF	Buy	12	28,506	29,002
		Index	Buy	12	28,671	28,650
Sell			53	63,125	62,857	
Precious metal		Buy	53	109,500	111,214	
		Sell	61	138,851	140,842	
Foreign currency exchange		Buy	20	76,530	77,482	
		Sell	6	34,626	34,917	
Light merchandise		Buy	6	2,209	2,225	
Agriculture		Buy	17	16,199	17,814	
		Sell	26	21,857	23,352	
Option contract (Domestic)	Bonds	Sell	3	10,831	10,880	
	TFO call	Buy	2	4	6	
		Buy	447	654	25	
	TFO put	Sell	2	10	8	
		Buy	1,026	13,652	19,312	
	TXO call	Sell	1,011	14,412	17,970	
		TXO put	Buy	1,088	8,777	4,921
Sell	1,163		12,941	4,636		

2. Fair value of financial assets and liabilities

Financial instruments	Sept. 30, 2008		Sept. 30, 2007	
	Book value	Fair value	Book value	Fair value
Financial assets				
Cash and cash equivalents	\$ 1,506,325	\$ 1,506,325	\$ 1,225,203	\$ 1,225,203
Financial assets at fair value through profit or loss-current				
Securities	8,943	8,943	11,480	11,480
Derivative financial instruments	1,095,592	1,095,592	504,990	504,990
Available for sale financial assets-noncurrent	35,510	35,510	35,510	35,510
Held-to-maturity financial assets-non-current	94,229	94,229	-	-
Other financial assets-non-current	40,000	40,000	-	-
Refundable deposits	7,683	7,683	4,444	4,444
Financial liabilities				
Financial liabilities at fair value through profit or loss-current				
Derivative financial instrument	64,221	64,221	22,614	22,614
Derivative instruments				
Futures trading margins-house funds	1,022,463	1,022,463	480,726	480,726
Call options-no hedging	73,129	73,129	24,264	24,264
Put option liabilities	64,221	64,221	22,614	22,614

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, 2008 and 2007, the fair value of the financial instruments, which were based on quoted market value in active market or pricing model, were as follows:

	Sept. 30, 2008		Sept. 30, 2007	
	Quoted Market Value in active market	Pricing model	Quoted Market Value in active market	Pricing model
Financial assets				
Financial assets at fair value through profit or loss-current				
Securities	\$ 8,943	\$ -	\$ 11,480	\$ -
Derivative financial instruments				
Call option contracts	73,129	-	24,264	-
Future trading margins-house funds	-	1,022,463	-	480,726
Total	\$ 82,072	\$1,022,463	\$ 35,744	\$480,726
Financial liabilities				
Financial liabilities at fair value through profit or loss-current				
Derivative financial instruments				
Put option liabilities	\$ 64,221	\$ -	\$ 22,614	\$ -

4. All the financial assets are not pledged as of September 30, 2008 and 2007.

5. Financial risk information

(1) Market risk

The major risk of the futures and options trading undertaken by the Company is the market risk arising from the fluctuations in the market prices of the underlying securities. All the trading are evaluated at the fair market price enhance with the hedging policy to reduce the risk exposures.

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

On September 30, 2008, within 95% of the confidence interval, VaR for one day is \$15,859. Average VaR for each trading day of the first three quarters is \$20,890, the maximum is \$51,485 (on September 16, 2008), the minimum is \$6,917 (on July 17, 2008), and the standard deviation is \$10,753.

(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	2,691,796	595.18%	1,807,063	583.62%	≥ 100%	Satisfactory to requirements
	Total liabilities – Futures traders' equity – Reserve for trading losses – Reserve for breach of contract losses	15,871,325 – 15,262,666 – 0 – 156,395		14,677,286 – 14,224,193 – 18,120 – 125,345			
17	Current assets Current liabilities	17,917,597 15,633,875	114.61%	16,004,317 14,450,627	110.75%	≥ 100%	Satisfactory to requirements
22	Shareholders' equity	2,691,796	347.33%	1,807,063	273.80%	≥ 60%	Satisfactory to requirements
	Minimum paid-in capital	775,000		660,000		≥ 40%	
22	Post-adjustment net capital Total margin deposits required for futures traders, not yet offset	2,454,688 1,357,410	180.84%	1,694,947 2,344,056	72.31%	≥ 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 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: Nil.

XVI. Investment in Mainland China: Nil.

XVII. Others:

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