

Polaris MF Global Futures Co., Ltd  
Financial Statements for the Three Months Ended  
March 31, 2011 and 2010  
Independent Auditors' 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.

## INDEPENDENT ACCOUNTANTS' REVIEW REPORT

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

We have reviewed the accompanying balance sheets of Polaris MF Global Futures Co., Ltd. as of March 30, 2011 and 2010, and the related statements of income and cash flows for the three months then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these financial statements based on our reviews. The financial statements of the Company's investee, MF Global Futures Trust Co.,Ltd. were not audited by us but by other independent accountants, therefore the amounts of MF Global Futures Trust Co.,Ltd. stated in these financial statements were based on the audit reports issued by another accounting firm. As of March 31, 2011 and 2010, the amount of long-term investment in MF Global Futures Trust Co.,Ltd. was \$84,137 and \$93,685 thousands and held up to 0.42% and 0.44% of total assets value. From January 1 to March 31, 2011 and 2010, the investment loss to MF Global Futures Trust Co.,Ltd. was \$1,755 and \$1,687 thousands and held up to (1.25%) and (2.08%) of net income before tax.

We conducted our reviews in accordance with Statement on Auditing Standards No. 36, "Review of Financial Statements," issued by the Auditing Standards Committee of the Accounting Research and Development Foundation of the Republic of China. A review consists principally of applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the Republic of China, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

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 Note No.3, since January 1, 20011, POLARIS MF GLOBAL FUTURES CO.,LTD. had adopted SFAS No.34 financial Instruments:Recognition and Measurement and also adopted SFAS 41 Operating Segments for the accounting treatment on its books.

POLARIS MF GLOBL FUTURES CO., LTD. had prepared the consolidated financial statements of 1at quarter of 2011, and we had issued modified unqualified Review report for reference.

First Crowe Horwath & Company, CPAs

Taipei, Taiwan

Republic of China

April 15, 2011

#### 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

March 31, 2011 and 2010

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

	March 31, 2011		March 31, 2010		Note	LIABILITIES AND SHAREHOLDERS' EQUITY		March 31, 2011		March 31, 2010	
	Amount	%	Amount	%		Amount	%	Amount	%	Amount	%
<b>ASSETS</b>											
<b>CURRENT ASSETS</b>						<b>CURRENT LIABILITIES</b>					
Cash and cash equivalents	\$ 19,161,593	96	\$ 20,435,484	97		Financial liabilities at fair value through profit or loss		\$ 16,723,736	84	\$ 17,954,633	85
Financial assets at fair value through profit or loss	2,066,045	10	1,875,422	9	(II)-1, (IV)-1	Futures traders' equity		104,630	1	7,669	-
Customer margin account	705,195	4	868,875	4	(II)-2, (IV)-2	Accounts payable-non-related parties		16,394,034	82	17,626,593	84
Futures trading margin receivable	16,383,706	82	17,653,578	84	(II)-7, (IV)-3, (V)	Accounts payable-related parties		55,300	-	46,041	-
Deposits for securities borrowed	39	-	-	-		Unearned Receipts		18,480	-	14,933	-
Accounts Receivable-non-related parties	-	-	324	-	(II)-3	Other payables		55	-	12	-
Accounts Receivable-related parties	6,127	-	6,216	-	(II)-3, (V)	Other current liabilities		203,953	1	256,842	1
Prepayment	716	-	20	-		OTHER LIABILITIES		7,284	-	2,523	-
Other Receivables	3,428	-	3,070	-		Reserve for breach of contract losses		86,139	-	294,517	1
Other current assets	24,337	-	25,507	-	(II)-13	Reserve for trading losses		-	-	199,615	1
	-	-	2,472	-	(II)-14	Accrued pension liabilities		-	-	14,347	-
<b>FUNDS AND LONG-TERM INVESTMENTS</b>					(IV)-4	Reserve for bad debts losses		24,336	-	18,752	-
Available for sale financial assets-noncurrent	296,531	1	129,187	1	(II)-15, (IV)-8	TOTAL LIABILITIES		16,809,875	84	18,249,150	86
Long-term investments-equity method	35,502	-	35,502	-	(II)-5						
	261,029	1	93,685	1	(II)-8, (IV)-5						
<b>FIXED ASSETS</b>											
Equipments	99,249	1	116,592	-							
Prepayment for equipments	258,438	1	243,626	1	(IV)-9	Capital stock		1,312,763	7	1,312,763	6
Leasehold improvements	25,330	-	22,890	-		Common stock		1,312,763	7	1,312,763	6
Less : accumulated depreciation	67,718	1	67,138	-		Capital surplus		407,633	2	407,633	2
	( 252,237)	( 1)	( 217,062)	( 1)		Additional paid-in capital from business merger		46,333	-	46,333	-
<b>INTANGIBLE ASSETS</b>						Additional paid-in capital in excess of par value		361,300	2	361,300	2
Deferred pension costs	8,893	-	4,502	-	(II)-15	Retained earnings		1,469,900	7	1,152,812	6
Other intangible assets	3,817	-	-	-	(II)-9	Legal reserve		280,486	1	249,847	1
	5,076	-	4,502	-	(IV)-6	Special reserve		764,690	4	499,694	3
<b>OTHER ASSETS</b>					(II)-10	Unappropriated retained earnings		424,724	2	403,271	2
Operations guarantee deposits	417,466	2	436,593	2	(IV)-11	Stockholders' equity and other adjustments		(16,439)	-	-	-
Clearing and settlement funds	185,000	1	185,000	1		Accumulated conversion adjustment		3,173,857	16	2,873,208	14
Refundable deposits	210,000	1	184,000	1		TOTAL SHAREHOLDERS' EQUITY		19,983,732	100	\$ 21,122,358	100
Deferred tax assets-non-current	8,127	-	8,285	-	(II)-17, (IV)-12	TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		\$ 19,983,732	100	\$ 21,122,358	100
	14,359	-	59,308	-							
<b>TOTAL ASSETS</b>											

Note 1: Please refer to the accompanying notes of the financial statements and the review report signed by First Horwath & Company, CPAs on April 15, 2011.

POLARIS MF GLOBAL FUTURES CO., LTD.

Income Statements

For The Years Ended March 31, 2011 and 2010

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

Descriptions	Note	March 31, 2011		March 31, 2010	
		Amount	%	Amount	%
<b>REVENUES</b>	(II)-18				
Brokerage		349,731	40	345,752	53
Clearance fee from consignment		15,749	2	6,479	1
Gain on disposal of derivative financial instruments	(II)-2	457,452	53	260,913	40
Futures advisory revenues		603	-	209	-
Other operating revenues		1,663	-	83	-
Nonoperating revenues		46,700	5	42,554	6
<b>Total Revenues</b>		<u>871,898</u>	<u>100</u>	<u>655,990</u>	<u>100</u>
<b>EXPENSES</b>	(II)-18				
Brokerage fee		( 41,145)	( 5)	( 39,386)	( 6)
Dealer handling fee		( 20,072)	( 2)	( 13,709)	( 2)
Futures commission		( 99,460)	( 11)	( 96,929)	( 15)
Clearance fee		( 54,492)	( 6)	( 41,029)	( 6)
Loss on disposal of derivative financial instruments	(II)-2	( 247,736)	( 29)	( 144,759)	( 22)
Operating expenses		( 263,663)	( 30)	( 219,435)	( 34)
Nonoperating expenses and losses		( 4,851)	( 1)	( 19,714)	( 3)
<b>Total Expenses</b>		<u>( 731,419)</u>	<u>( 84)</u>	<u>( 574,961)</u>	<u>( 88)</u>
<b>Net income before income tax</b>		<u>140,479</u>	<u>16</u>	<u>81,029</u>	<u>12</u>
<b>Income tax expenses</b>	(II)-17, (IV)-12	( 13,375)	( 1)	( 10,089)	( 1)
<b>Net income</b>		<u>\$ 127,104</u>	<u>15</u>	<u>\$ 70,940</u>	<u>11</u>
<b>Earnings per share</b>	(II)-21, (IV)-13				
Earning before income tax		\$ 1.07		\$ 0.62	
Income tax expense		( 0.10)		( 0.08)	
<b>Net earnings after tax</b>		<u>\$ 0.97</u>		<u>\$ 0.54</u>	

Note1: Please refer to the accompanying notes of the financial statements and the review report signed by First Horwath & Company, CPAs on April 15, 2011.

Note2: Reviewed, not audited for the three months ended March 31, 2011.

## POLARIS MF GLOBAL FUTURES CO., LTD.

## Statements of Cash Flows

For The Years Ended March 31, 2011 and 2010

(In Thousands of New Taiwan Dollars)

	March 31, 2011	March 31, 2010
Cash flows from operating activities		
Net income	\$ 127,104	\$ 70,940
Adjustments		
Depreciation	8,793	9,051
Amortization	753	846
Investment loss under equity method	1,743	1,687
Gain on disposal of short term investments	-	( 827)
Valuation loss (gain) on financial assets	( 160)	617
Reserve for breach of contract losses	-	7,045
Reserve for trading losses	-	11,428
Loss on disposal of fixed assets	-	1
Increase in call options	( 22,604)	( 10,160)
(Increase) decrease in future trading margin - house fund	130,146	( 116,293)
Increase in margin deposits	( 94,045)	( 1,456,893)
Increase in futures trading margin receivable	( 39)	-
Increase in securities borrowed guarantee deposits	-	(324)
Increase in accounts receivable	( 1,034)	(5,004)
Increase in accounts receivable-related party	( 160)	( 13)
Increase in other receivables	( 11,429)	( 14,641)
Decrease in other receivables-related party	-	5,263
Decrease in prepayments	111	635
(Increase) decrease in deferred income tax assets	4,532	( 2,541)
Decrease in other current assets	-	90
Increase (decrease) in put option liabilities	( 5,890)	4,531
Increase in futures traders' equity	92,494	1,450,382
Increase in accounts payable-non-related party	17,392	9,542
Increase in accounts payable-related party	5,736	3,348
Increase in other accounts payable	18,925	1,845
Decrease in other current liabilities	( 1,947)	( 4,937)
Increase in unearned receipts	16	10
Increase in deferred income tax liabilities-current	653	-
Increase in accrued pension liabilities	492	394
Net cash provided by (used in) operating activities	<u>271,582</u>	<u>( 33,978)</u>

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Cash flows from investing activities

Decrease in open fund and monetary market tools	-	20,444
Acquisition of fixed assets	( 1,012)	( 8,183)
Increase in intangible assets	( 700)	-
Sales of available-for-sale financial assets	-	50
Increase in operations guarantee deposits	-	( 30,000)
Increase in clearing and settlement funds	( 1,000)	( 18,000)
Decrease in refundable deposits	-	199
Net cash used in investing activities	( 2,712)	( 35,490)
Net increase (decrease) in cash and cash equivalents	268,870	( 69,468)
Cash and cash equivalents at the beginning of the period	1,799,175	1,944,890
Cash and cash equivalents at the end of the period	<u>\$ 2,068,045</u>	<u>\$ 1,875,422</u>
Supplemental Disclosures of cash flow information		
Interest paid	<u>\$ 573</u>	<u>\$ 82</u>
Income tax paid	<u>\$ 2,843</u>	<u>\$ 2,157</u>
Investing activities and financing activities without influence on cash flow		
Reserve for breach of contract losses and trading losses transferred to special reserve	<u>\$ 203,717</u>	<u>-</u>

Note1: Please refer to the accompanying notes of the financial statements and the review report signed by First Horwath & Company, CPAs on April 15, 2011.

Note2: Reviewed, not audited for the three months ended March 31, 2011.

POLARIS MF GLOBAL FUTURES CO., LTD.

Notes to Financial Statements

For the three months ended March 31, 2011 and 2010

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

I. History and Organization

Polaris MF Global Futures Co., Ltd. (hereinafter referred to as "the Company") was officially incorporated on April 9, 1997 under the Company Law and other relevant regulations in the Republic of China ("R.O.C."). The Company was formerly known as "Polaris Futures Co., Ltd.". In order to expand its business scale and upgrade its operating efficiency, the Company merged with "Refco Taiwan Co., Ltd." on September 1, 2003 and was renamed as "Polaris Refco Futures Co., Ltd.". In the end of 2005, in the account of the changes of foreign shareholders, the Extraordinary shareholders' meeting was held on February 15, 2006, and resolved to change its name to "Polaris Man Financial Futures Co., Ltd." approved by the Ministry of Economics. On August 1, 1997, the Company following its foreign shareholders' global policy renamed as "Polaris MF Global Futures Co., Ltd. As of March 31, 2010, 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 Futures commission;
5. H301011 Securities Trading assistant;

As of March 31, 2011 and 2010, the Company had 328 and 314 employees.

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 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 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".

### 3. The allowance for bad debts of Accounts Receivables

Before 1<sup>st</sup> Jan 2011, bad debts expense are accrued based on the past years' experience of the occurrence of actual bad debts, also based on the recoverability taking reference to the conditions of aging of AR.

After 1<sup>st</sup> Jan 2011, for each individual significant AR item, the impairment is recorded based on events or changes in circumstances that indicate the carrying amount may not be

recoverable. Once determined not recoverable, a corresponding individual impairment loss shall be recorded.

For non-significant AR items for which impairment is indicated, and also for the AR items for which no impairment is indicated, they are to be grouped into categories based on similarity of credit risk, then, each category is to be determined to see if there is impairment.

#### 4. 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.

#### 5. Long-term investments at equity

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

matters or changes in environment, impairment tests should be performed. If fair value of net assets is recognized to be over the investment costs, the difference should be reduced in apportioning according to the fair value of each non-current asset, any remaining difference is recognized as extraordinary gain or loss.

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

(5) Overseas Investments

The Equity Method is used for the investees of which the Company owns 20% or more of the voting shares and has significant influence.

When Equity Method is used, the accounting treatment is detailed below:

- A. The original investment costs: recorded using the exchange rate at which the New Taiwan Dollar was converted.
- B. Gains or Losses of the investment: to be recorded via application of equity method for annual profit/loss of the investees and the application of annual weighted average of exchange rate.
- C. Long term Investments at date of balance sheet are valued by the ratios of shareholding of net values (after translation of financial statements into New Taiwan Dollar) of the investees. The difference between the carrying amounts and these newly valued amounts will be recognised directly in Shareholders' Equity. If the fiscal year of a investee differs from that of the Company, the above said treatment would also apply.
- D. The methods for the translation of the financial statements of the investees:  
In accordance with SFAS No. 14: The Effects of Changes in Foreign Exchange Rates.

6. 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.

## 7. 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.

## 8. Fixed assets

Fixed Assets were initially recorded at cost. Major improvements, renewal and additions by which the service life of fixed assets can be extended are capitalised as fixed assets. The ordinary repair/maintenance is to be expensed. The accrual by S/L depreciation is applied as follows: computer/telecommunication equipments: 3~5years; office equipments: 5 years; transportation equipment: 5~6 years; leasehold improvement: 3~5 years; While assets are continually in use after the expiration of its service lives, the residual values and service lives are estimated and depreciated accordingly.

The gain or loss on disposal of assets is recognized as non-operating revenue or expense in the period of sale or disposal.

#### 9. 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.

#### 10. 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. Besides, 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. Furthermore, under article of Securities and Exchange Law, a securities firm shall desposit NT 25 million to the finance institute. And confirming to Regulations Governing , the Operation of Futures Introducing Broker Business by Securities Firms, the operation bond to be deposited by a futures introducing broker under the preceding paragraph shall be NT\$10 million; the operation bond for each branch office is NT\$5 million.

#### 11. 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.

## 12. 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.

## 13. Reserve for breach of contract losses

Before January 1<sup>st</sup> 2011, under Rules Governing Futures Commission Merchants, as the Company engages in futures brokerage business, the Company shall set aside 2% of the futures brokerage commission income as reserve for breach of contract losses monthly. 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 either the amount of minimum paid-in capital, or operation funds, or working capital required by law, no additional reserve for breach of contract losses is required to be set aside.

After January 1<sup>st</sup> 2011, under a directive (with issuance number:10000002891) issued by the directive Financial Supervisory Commission, Executive Yuan, both reserve for trading losses and reserve for breach of contract losses shall be transferred to a special reserve, (concurrently with the amendment of Rules Governing Futures Commission Merchants). 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.

## 14. Reserve for trading losses

Before January 1<sup>st</sup> 2011, under Rules Governing Futures Commission Merchants, as Company engages in futures dealer business shall, on a monthly basis, the Company shall 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\$200 million, no additional reserve for trading losses is required to be set aside.

After January 1<sup>st</sup> 2011, under a directive (with issuance number:10000002891) issued by the directive Financial Supervisory Commission, Executive Yuan, both reserve for trading losses and reserve for breach of contract losses shall be transferred to a special reserve, (concurrently with the amendment of Rules Governing Futures Commission Merchants). 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.

## 15. Pension

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

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

## 16. 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.

## 17. Income tax

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



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

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

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

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

#### 18. 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.

#### 19. 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.

#### 20. 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.

## 21. 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.

## 22. 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.

## 23. 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.

## 24. Foreign currency transactions and translations of foreign currency financial statements

The translation of the financial statements of all foreign operation and overseas subsidiaries is as follows: assets and liabilities are translated at the current exchange rate prevailing at the balance sheet date. Shareholders' equity is translated at the historical rate with exception of the beginning retained earnings, which are brought forward. Dividends are translated at the exchange rate prevailing at the declaration date. Income statements accounts are translated at the weighted average exchange rate for the year. The foreign

currency translation from Exchange differences arising from the translation of the financial statements of foreign operations are recognized as a separate component of shareholders' equity. Such exchange differences are recognized in profit or loss in the year in which the foreign operations are disposed of.

Non-derivative foreign-currency transactions are recorded in New Taiwan dollars at the rates of exchange in effect when the transactions occur. Exchange differences arising from settlement of foreign-currency assets and liabilities are recognized in profit or loss.

At the balance sheet date, foreign-currency monetary assets and liabilities are revalued using prevailing exchange rates and the exchange differences are recognized in profit or loss.

At the balance sheet date, foreign-currency nonmonetary assets (such as equity instruments) and liabilities that are measured at fair value are revalued using prevailing exchange rates, with the exchange differences treated as follows:

- a. Recognized in shareholders' equity if the changes in fair value are recognized in shareholders' equity;
- b. Recognized in profit and loss if the changes in fair value is recognized in profit or loss.

Foreign-currency nonmonetary assets and liabilities that are carried at cost continue to be stated at exchange rates at trade dates.

If the functional currency of an equity-method investee is a foreign currency, translation adjustments will result from the translation of the investee's financial statements into the reporting currency of the Company. Such adjustments are accumulated and reported as a separate component of shareholders' equity.

The spot rate on the date of the Balance Sheet is used above.

## 25. Operating segments

An operating segment is a component of an entity:

- (1) that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity),
- (2) whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance.
- (3) The discrete financial information is available.

The Company decideds that the operating segments would only be disclosed in consolidated financial statements.

### III. Accounting changes:

1. From January 1st, 2011, the Company and its subsidiaries has remeasured the existing lendings and receivables in accordance with and by adoption of the third version of SFAS No. 34, "Financial Instruments: Recognition and Measurement". The changes of the accounting principles causes no effect on financial statements of the Company as of January 1st 2011.
2. From January 1<sup>st</sup> 2011, the disclosure of operating segments of SFAS No. 41, "Operating segments" in replacement of SFAS No. 20, "Segment Reporting".

### IV. Explanationson major accounts

1. Cash and cash equivalentents

	<u>March 31, 2011</u>	<u>March 31, 2010</u>
Cash	\$ 200	\$ 200
Checking account deposit	636	252
Demand deposit	282,379	228,037
Term deposit	1,701,400	1,603,200
Foreign currency deposit	83,430	43,733
Total	<u>\$ 2,068,045</u>	<u>\$ 1,875,422</u>

Note:The aforementioned items have been free of any restriction in disbursement.

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

	<u>March 31, 2011</u>	<u>March 31, 2010</u>
Financial assets held for trading		
Securities	\$ 16,032	\$ 90,188
Open funds	71,092	15,594
Futures trading margins - house funds	618,071	763,093
Total	<u>\$ 705,195</u>	<u>\$ 868,875</u>

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

(2) As of March31, 2011, the above financial assets were provided to be free of any pledges or collateral.

### 3. Margin deposits

	<u>March 31, 2011</u>	<u>March 31, 2010</u>
Customer margin deposit-Cash at banks	\$ 14,299,177	\$ 15,537,995
Customer margin deposit-Clearinghouse	1,194,102	1,181,536
Customer margin deposit-Other FCMs	860,427	909,110
Customer margin deposit-Securities	-	24,937
Total	<u>\$ 16,353,706</u>	<u>\$ 17,635,578</u>

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

	<u>March 31, 2011</u>	<u>March 31, 2010</u>
Balance of margin deposits	\$ 16,353,706	\$ 17,653,578
Minus:		
Accrued service charge and interest income	( 14,054)	( 21,457)
Futures trading tax	( 1,839)	( 1,423)
Incorrect desposits from customers	<u>( 3,779)</u>	<u>( 4,105)</u>
Futures traders' equity	<u>\$ 16,334,034</u>	<u>\$ 17,626,593</u>

### 4. Funds and long-term investments

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

Investees	March 31,2011			March 31,2010		
	Shares (thousands)	Amount	% of shareholding	Shares (thousands)	Amount	% of shareholding
Taiwan Futures Exchange Corporation	4,544	<u>\$35,502</u>	1.70%	4,258	<u>\$35,502</u>	1.70%

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

#### (2) Long-term investments at equity

Investees	March 31,2011			March 31,2010		
	Shares (thousands)	Amount	% of shareholding	Shares (thousands)	Amount	% of shareholding
MF Global Futures Trust Co., Ltd.	9,999	\$84,137	33.33%	9,999	\$93,685	33.33%
Polaris MF Global Futures (HK) Co., Limited.	6,000	176,892	100.00%	-	-	-
		<u>\$261,029</u>			<u>\$93,685</u>	

(3) Investment income (loss) for equity investments accounted for under the equity method for the three months ended March 31, 2011 and 2010 were as follows:

Investees	for the three months ended	
	2011	2010
MF Global Futures Trust Co., Ltd.	(\$ 1,755)	(\$ 1,687)
Polaris MF Global Futures (HK) Co., Ltd.	12	-
Total	(\$ 1,743)	(\$ 1,687)

Note : Profits/Losses in investments are recognized by the audit/review reports issued by other auditors.

(4) Adjustments of cumulative translation adjustments from equity investments accounted for under the equity method for the three months ended March 31, 2011 and 2010 were as follows:

Investees	for the three months ended	
	2011	2010
Polaris MF Global Futures (HK) Co., Ltd.	(\$ 16,439)	\$ -

(5) Polaris MF Global Futures Trust Co., Ltd

The Company has a new investment of 9,999 thousand shares of MF Global Futures Trust Co., Ltd. and holds 33.33% in May, 2009, therefore adopts the equity method for evaluation.

(6) In January 2011, the Company made a new investment which is the setting up of the new subsidiary called 'POLARIS MF GLOBAL FUTURES (HK) CO., LIMITED' in Hong Kong. This new investment has been approved by Financial Supervisory Commission, Executive Yuan, with approval number 0990055943 issued to us. The Company owns 100% of the shares of the new investment and uses Equity Method to account for it.

(7) The aforementioned items have been free of any restriction in disbursement.

(8) The consolidated financial statements have accounted for investees that the Company has control over. Please refer to the Review report on consolidated financial statements issued by the CPAs.

## 5. Fixed assets

(1) As of March 31, 2011

	Cost	Accumulated depreciation	Balance
Computer communication equipments	\$ 228,623	\$ 184,401	\$ 44,222
Office equipments	24,016	14,463	9,553
Transportation equipments	5,799	4,975	824
Leasehold improvement	67,718	48,398	19,320
Prepayment for equipments	25,330	-	25,330
Total	\$ 351,486	\$ 252,237	\$ 99,249

(2) As of March 31, 2010

	<u>Cost</u>	<u>Accumulated depreciation</u>	<u>Balance</u>
Computer communication equipments	\$ 215,460	\$ 164,120	\$ 51,346
Office equipments	22,361	11,848	10,513
Transportation equipments	5,799	4,302	1,497
Leasehold improvement	67,138	36,792	30,346
Prepayment for equipments	22,890	-	22,890
Total	<u>\$ 333,648</u>	<u>\$ 217,062</u>	<u>\$ 116,592</u>

(3) Insurance

<u>Insurance</u>	<u>March 31,2011</u>	<u>March 31,2010</u>	<u>Remark</u>
Computer and office equipment	232,510	227,510	fire insurance (including comprehensive insurance)
Leasehold improvement	68,570	63,570	fire insurance (including comprehensive insurance)
Total	<u>\$ 301,080</u>	<u>\$ 291,080</u>	

- A. The comprehensive insurances for the first quarter months of 2011 and 2010 consisted of explosion insurance, earthquake insurance, flood insurance and suspended operation insurance, smoke insurance, automatic fire-fighting equipment leakage insurance and strike, riot, civil disturbance and intentional deterioration insurances.
- B. The Company is covered by the public accidental liability insurance as of the first three months of 2011 and 2010.

6. Other assets

	<u>March 31,2011</u>	<u>March 31,2010</u>
Operations guarantee deposits	\$ 185,000	\$ 185,000
Clearing and settlement funds	210,000	184,000
Refundable deposits	8,127	8,285
Deferred income tax assets - noncurrent	14,339	59,308
Total	<u>\$ 417,466</u>	<u>\$ 436,593</u>

## 7. Other payables

	March 31, 2011	March 31, 2010
Salary payable	\$ 13,433	\$ 13,002
Bonus payable	103,306	88,669
Interest payable	16,027	15,517
Labor and health insurance payable	4,003	3,717
Professional fees payable	8,978	7,042
Marketing expenses payables	4,000	20,000
Other expenses payable	16,008	35,212
Income tax payable	5,347	32,582
Other payables	32,851	41,101
Total	<u>\$ 203,953</u>	<u>\$ 256,842</u>

## 8. Accrued pension liabilities

(1) The Company has recognized the pensions cost in accordance with the SFAS No.18 "Accounting for Pensions" since January 1, 1999. The Company recognized pension cost of \$769 and \$709 for the first quarter of the years 2011 and 2010, respectively. As of March 31, 2011 and 2010, the balance of pension account in Central Trust of China were \$17,035 and \$15,750, respectively.

(2) Labor Pension Act (the "Act") has been enforced as of July 1, 2005 and adopts the defined-contribution scheme. The net pension cost contributed and recognized by the Company according to the Act for the four months ended March 31, 2011 and 2010 were \$3,110 and \$2,992, respectively.

## 9. Capital

Date	Registered capital	Paid-in capital	Par value	Remarks
Apr. 9, 1997	\$200,000	\$200,000	\$10	Initial capital upon founding
Feb. 9, 1998	500,000	500,000	10	Capital increased in cash 30,000,000 shares
May 27, 1998	600,000	600,000	10	Capital increased in cash 10,000,000 shares
Jul. 22, 1999	615,000	615,000	10	Capital increased in cash 1,500,000 shares
Aug. 26, 2000	630,000	630,000	10	Capital increased in cash 1,500,000 shares
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 first quarter of 2011 and 2010 is estimated based on the Company's Articles of Incorporation, past experience, and current period earning. The accrual payable for first quarter of 2011 and 2010 are \$6,204 and \$6,547, 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:

	Policy of Earnings Distribution	(in thousand) Dividends per Share
Leagle Reserve	\$ 29,744	\$ -
Special Reserve	59,489	-
Cash Dividend	207,417	1.58
Employee bonus-cash dividend	23,072	-
Bonuts to Directors and Supervisors	231	-

As for the detail of proposed distribution, refer to market Observation Post System of Taiwan Stock Exchange.

## 12. Income tax

- (1) The Company already filed its corporate income tax return for the years 2008 on time which is under reviewed by the NTA.
- (2) The Company already filed its corporate income tax return for the years 2009 on time.
- (3) Estimated income tax for the three months of 2011 and 2010:

Items	March 31, 2011	March 31, 2010
Net profit before tax, at tax rate according to income tax law, ROC	\$ 23,881	\$ 16,196
Permanent differences:		
Investment loss recognized under equity method	296	337
Exemption of cash dividends	( 27)	123
Valuation gains (losses) on financial assets	-	( 165)
Loss or gains on Securities transaction exempted from tax under Article 4-2 of Income Tax Law, ROC	( 10,591)	( 6,026)
Loss or gains on futures transaction exempted from tax under Article 4-2 of Income Tax Law, ROC	( 468)	( 562)
Gains on futures transaction which is unrealized in the prior year and closed in the current year	( 227)	823
Losses on option contracts which is unrealized in the prior year and closed in the current year	( 451)	( 239)
Losses on uncleared futures trading in current period	882	( 398)
Additional 10% of an appropriated retained eaming	80	-
Income tax expenses	13,375	10,089
Adjustment of temporary differences:		
Unrealized gains on foreign exchange in the prior period	( 4,616)	( 3,704)
Unrealized trading losses	( 653)	2,472
Unrealized breach of contract losses	-	2,285
Differences in pension cost and appropriation	-	1,409
Adjustment of prior income tax	84	79
Income tax prepayment	( 2,843)	( 2,157)
Income tax payable (Note)	\$ 5,347	\$ 10,473

Notes:1. As of March 31, 2010, excluding half of the estimated administrative relief of income tax in 2009 for \$22,109 thousand dollars.

(4) Effect of deferred income tax

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

	<u>March 31, 2011</u>	<u>March 31, 2010</u>
(A) Total deferred income tax assets	\$ 14,339	\$ 61,780
(B) Total deferred income tax liabilities	(653)	-
(C) Temporary differences (tax) arising from deferred income tax assets or liabilities		
Deductible provisional difference incurred by recognition of unrealized gains in foreign exchange	(653)	-
Deductible provisional difference incurred by recognition of unrealized losses in foreign exchange	-	2,472
Deductible provisional differences incurred by recognition of unrealized trading losses	-	2,870
Deductible provisional differences incurred by recognition of unrealized losses on breach of contract	-	39,923
Deductible provisional differences incurred by recognition of unrealized bad debts losses	10,507	12,360
Deductible provisional difference incurred by recognition of pension cost under ROC SFAS No.18	3,832	4,155

B. Deferred income tax assets (liability)

Items	<u>March 31, 2011</u>		<u>March 31, 2010</u>	
	Current	Noncurrent	Current	Noncurrent
Deferred income tax assets	-	\$14,339	\$2,472	\$59,308
Deferred income tax liabilities	(653)	-	-	-
Net deferred income tax assets	(\$653)	\$14,339	\$2,472	\$59,308

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

	<u>March 31, 2011</u>	<u>March 31, 2010</u>
Expected (actual) available ICA	\$ 41,835	\$ 122,507
Expected (actual) ratio of ICA	20.58%	20.49%

(6) Information of unappropriated retained earnings:

	<u>March 31, 2011</u>	<u>March 31, 2010</u>
Before 1997	\$ 21	\$ 21
After 1998	424,703	403,250
Total	\$ 424,724	\$ 403,271

13. Earnings per share

	March 31, 2011	March 31, 2010
Net income after tax	\$ 127,104	\$ 70,940
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	\$ 0.97	\$ 0.54

14. Expenses relating to employment, depreciation, and amortization for the four months ended March 31, 2011 and 2010 disclosed by function were as follow:

Function Character	March 31,2011			March 31,2010		
	Operating cost	Operating expense	Operating expense	Operating expense	Operating expense	Total
Employment						
Payroll	\$ -	\$ 99,262	\$ 99,262	\$ -	\$ 82,997	\$ 82,997
Labor and health insurance	-	4,820	4,820	-	4,578	4,578
Pension fund	-	3,879	3,879	-	3,701	3,701
Others	-	2,671	2,671	-	2,606	2,606
Depreciation	-	8,793	8,793	-	9,051	9,051
Amortization	-	753	753	-	846	846

15. The Information for foreign-currency financial assets and liabilities of great significance to the company is shown below:

(in thousand)

	2011.3.31			2010.3.31		
	Foreign currency	exchange rate	NT	Foreign currency	exchange rate	NT
<u>Financial Assets</u>						
USD	\$246,834	29.4800	\$7,276,675	\$275,098	31.7670	\$8,739,033
JPY	321,128	0.3563	114,418	631,115	0.3409	215,013
HKD	112,831	3.7852	427,089	53,278	4.0918	218,005
EUR	1,880	41.7422	78,482	1,,867	42.5819	505,331
GBP	457	47.4967	21,698	341	47.8755	16,337
AUD	2,527	30.4779	77,003	524	29.0652	15,220
SGD	25	23.3906	574	-	-	-

(in thousand)

	2011.3.31			2010.3.31		
	Foreign currency	exchange rate	NT	Foreign currency	exchange rate	NT
<u>Financial Liabilities</u>						
USD	240,730	29.4800	7,096,697	263,249	31.7670	8,362,615
JPY	219,746	0.3563	78,298	340,906	0.3409	116,225
HKD	101,927	3.7852	385,816	44,188	4.0918	180,809
EUR	694	41.7427	28,978	10,702	42.5819	455,698
GBP	140	47.4973	6,673	128	47.8755	6,122
AUD	2,501	30.4779	76,227	523	29.0652	15,206
SGD	18	23.3906	428	-	-	-

## V. Transactions with related parties

### 1. Names and relationships of related parties

<u>Names of related parties</u>	<u>Relationship with the Company</u>
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.-Small Medium Cap Fund	Substantial related party
Polaris International Investment Trust Co., Ltd.-Top 50 Tracker Fund	Substantial related party
Polaris International Investment Trust Co., Ltd.-TSE Capitalization weighted stock Index Fund	Substantial related party
Polaris International Investment Trust Co., Ltd.-Polaris Russell Greater China L/C Valdx	Substantial related party
Polaris International Investment Trust Co., Ltd.-Polaris P- shares Taiwan Gre Tai SO ETF	Substantial related party
Polaris International Investment Trust Co., Ltd.-Polaris/P-shares MSCI India Index Fund.	Substantial related party
Polaris International Investment Trust Co., Ltd.-Polaris Gold Futures trust Fund.	Substantial related party
Polaris International Investment Trust Co., Ltd.-Polaris Taiwan Equity Fund.	Substantial related party
MF GLOBAL UK LIMITED (MF GLOBAL UK)	Substantial related party
MF GLOBAL HONG KONG LIMITED (MF GLOBAL HONG KONG)	Substantial related party
MF Global Futures Trust Co.,Ltd-MF Multi-Income Future Trust Fund	Substantial related party
MF Global Futures Trust Co.,Ltd(MF Global Futures Trust)	The Company's parent company
MF Global Singapore Pte. Limited Taiwan Branch	Substantial related party
Polaris-Propime Securities Investment Advisor Co., Ltd.	Substantial related party
Yoing Investment Co., Ltd.	Substantial related party
Ho, Ming – Yu	Substantial related party
Ho, Ming – Hong	The Company's parent company
Pai, Chieh -Yu	The Company's parent company
Man Fincial Futures (HK) Limited	Substantial company

## 2. Transactions with the related parties

### (1) Brokerage Revenue

Name of related party	Three months ended March 31			
	2011		2010	
	Amount	%	Amount	%
Others	\$ 2,797	0.80%	\$ 5,308	1.54%

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	Three months ended March 31			
	2011		2010	
	Amount	%	Amount	%
Polaris Securities Co., Ltd.	\$ 45,576	45.82%	\$ 40,978	42.28%
MF Global Singapore Pte Ltd Taiwan Branch	31,935	32.11%	32,912	33.95%
Total	\$ 77,511	77.93%	\$ 73,890	76.23%

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	Three months ended March 31			
	2011		2010	
	Amount	%	Amount	%
Polaris Securities Co., Ltd.	\$ 0.3	1.02%	\$ 4	4.82%

### (4) Leasehold properties

Lessor	Premises in leasehold	Deposits	Rent expense for the three months ended March 31	
			2011	2010
Polaris Securities Co., Ltd.	5F-1, 151, Chongcheng 4th Rd., Kaohsiun B1, 69, Sec. 2, Dun-hua S. Rd., Taipei (parking included)	\$ 150	\$ 134	\$ 90
	10F, 65, 67, 71 and 69, Sec. 2, Dun-hua S. Rd., Taipei (parking included)	100	174	124
		3,270	3,379	3,379
		\$ 3,520	\$ 3,687	\$ 3,593

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

(5) Credits and liabilities:

Items	Name of related party	March 31, 2011		March 31, 2010	
		Amount	%	Amount	%
Margin deposits - USD	MF Global Singapore Pte Ltd Taiwan Branch	\$ 708,508	4.33	\$ 566,987	3.21
Margin deposits - JPY	MF Global Singapore Pte Ltd Taiwan Branch	49,715	0.30	58,357	0.33
Margin deposits - GBP	MF Global Singapore Pte Ltd Taiwan Branch	6,038	0.04	5,882	0.03
Margin deposits - EUR	MF Global Singapore Pte Ltd Taiwan Branch	19,114	0.12	118,070	0.67
Margin deposits - HKD	MF Global Singapore Pte Ltd Taiwan Branch	63,935	0.39	99,182	0.56
Margin deposits - AUD	MF Global Singapore Pte Ltd Taiwan Branch	2	-	99,183	100.56
Margin deposits - SGD	MF Global Singapore Pte Ltd Taiwan Branch	57	-	-	-
		<u>\$ 847,369</u>	<u>5.18</u>	<u>\$ 848,478</u>	<u>4.80</u>
Futures trading margins house fund-USD	MF Global Singapore Pte Ltd Taiwan Branch	\$ 144,336	24.79	\$ 189,201	24.79
Futures trading margins-house funds - JPY	MF Global Singapore Pte Ltd Taiwan Branch	17,775	2.65	20,205	2.65
Futures trading margins-house funds - HKD	MF Global Singapore Pte Ltd Taiwan Branch	26,538	3.95	30,150	3.95
Futures trading margins-house funds - GBP	MF Global Singapore Pte Ltd Taiwan Branch	7,914	0.97	7,419	0.97
Futures trading margins-house funds - EUR	MF Global Singapore Pte Ltd Taiwan Branch	30,976	5.95	45,385	5.95
		<u>\$ 227,549</u>	<u>36.81</u>	<u>\$ 292,360</u>	<u>38.31</u>
Accounts receivable	Polaris Securities Co., Ltd.	\$ 566	8.27	\$ 20	0.32
	MF Global Futures Trust co., Ltd.	127	1.85	-	-
	MF Multi - Income Future Trust Fund	23	0.34	-	-
		<u>\$ 716</u>	<u>10.46</u>	<u>\$ 20</u>	<u>0.32</u>
Futures traders' equity	TSE Capitalization Weighted Stock Index Fund	\$ -	-	\$ 5,484	0.03
	Apex International Financial	4,440	0.03	2,932	0.02
	Polaris Securities Co., Ltd.	260,836	1.60	151,379	0.86
	Apex Investment Co., Ltd.	-	-	2,959	0.02
	Polaris/P-shares MSCI India Index Fund	7,435	0.04	-	-
	Small Medium Cap Fund	17,635	0.11	871	-
	Polaris Taiwan equity Fund	1,380	0.01	-	-
	Top 50 Tracker Fund	59,495	0.36	7	-
	MF Multi-Income Future Trust Fund	420,949	2.58	-	-
	Polaris Securities Co., Ltd. - Structure hedge	10,656	0.06	10,643	0.06
	MF GLOBAL HONG KONG	3,076	0.02	16,142	0.09
	MF Global UK	28,798	0.18	82,385	0.47
	Polaris Gold Futures Trust Fund	190,225	1.16	-	-
	Polaris Russell Greater China L/C Valldx	11,896	0.07	4,230	0.02
	Polaris/P-shares Taiwan Gre Tai 50 ETF	6,194	0.04	-	-
	Polaris Securities Co., Ltd. - Certificate hedge	9,012	0.06	12,743	0.07
	Yoing Investment Co., Ltd.	5,063	0.03	17,128	0.10
	Ho Ming - Hong	15	-	58,910	0.33
	Ho Ming - Yu	310,159	1.90	181,938	1.03
	Pai Che - Yu	1	-	1	-
		<u>\$ 1,347,265</u>	<u>3.10</u>	<u>\$ 547,752</u>	<u>3.10</u>
Accounts payable	Polaris Securities Co., Ltd.	\$ 18,225	24.7	\$ 14,714	24.13
	MF Golbal Singapore Pte Ltd Taiwan Branch	255	0.35	219	0.35
		<u>\$ 18,480</u>	<u>25.05</u>	<u>\$ 14,933</u>	<u>24.48</u>
Other payable	Polaris Sccurities Co., Ltd	\$ 360	-	\$ 720	-

(6) Others

A. The handling fees paid by the Company for placing the order by the house trading department with Polaris Securities Co., Ltd. in the first three months of 2011 and 2010 were \$318 and \$109 respectively. The transaction condition makes no different for third parties.

B. Others

Items	Name of related party	Three Months Ended March 31			
		2011		2010	
		Amount	%	Amount	%
Computing information fee	Apex International Financial Engineering Res. & Tech. Co., Ltd.	\$ 100	0.72%	\$ 178	1.54%
Interest income	MF Global Singapore Pte Ltd Taiwan Branch	160	0.41%	37	0.10%
	Polaris Securities Co., Ltd.	10	-	-	-
Professional fee	Polaris Securities Co., Ltd.	100	2.76%	100	10.87%
Postage & Cable Charge	Polaris Securities Co., Ltd.	720	7.61%	1,080	11.15%
Repair&maintenanceln	Apex International Financial Engineering Res. & Tech. Co., Ltd.	-	-	80	5.35%
Interest Expense	MF Multi-Income Future Trust Fund	459	14.85%	-	-
Other Operating revenues	MF Multi-Income Future Trust Fund	93	5.59%	-	-
	MF Global Futures Trust	453	27.24%	-	-
	Polaris Securities Co., Ltd.	1089	65.48%	-	-
Rent expense-Deposits Interest	Polaris Securities Co., Ltd.	10	-	-	-

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 each \$300 million with Chinatrust Commercial Bank and First Commercial Bank, respectively. There is no active in the credit facilities as of March 31, 2011.

VIII. Significant losses due to major disasters: Nil.

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

1. As of March 30, 2011 and 2010 the unexpired futures and option contracts are shown as follows:



A. As of March 31, 2011

Items	Trading category	Open position		Amount paid for (received from) premium	Fair value	
		Buy / Sell	Number of contracts			
Futures contract (Domestic)	TX	Buy	7	11,384	11,624	
		Sell	100	172,449	172,602	
	MTX	Sell	167	71,188	71,541	
	GTF	Sell	4	2,152	2,221	
	TF	Buy	51	50,566	50,878	
	TE	Buy	120	154,652	155,160	
	IXF	Buy	126	145,410	146,978	
		Sell	71	82,775	82,794	
	Single Stock Futures	Buy	9	786	805	
		Sell	2	304	308	
	Futures contract (Abroad)	GDF	Buy	7	28,462	29,509
		Precious metal Futures	Sell	7	29,223	29,714
			Index Futures	Buy	36	21,891
	Option contract (Domestic)	TXO call	Buy	26,014	29,943	35,589
Sell			27,531	45,811	57,825	
TXO put		Buy	29,391	46,791	35,245	
		Sell	20,811	59,252	46,646	
GTO call		Buy	16	65	91	
GTO put		Sell	16	56	15	
TFO Call		Buy	68	105	122	
		Sell	80	47	40	
TFO put		Sell	18	76	40	
TEO call		Sell	8	46	57	
TEO put		Buy	10	41	32	
Equity Options		Buy	10	0.2	0.2	
TGO call		Buy	8	14	13	
		Sell	10	19	7	

B. As of March 31, 2010

Items	Trading category	Open position		Amount paid for (received from) premium	Fair value
		Buy / Sell	Number of contracts		
Futures contract (Domestic)	MTX	Buy	2	787	788
		Sell	1,391	551,464	549,996
	XIF	Buy	1	946	949
		Sell	6	5,608	5,692
	GTF	Sell	3	1,706	1,741
	TF	Sell	16	13,401	13,414
	TX	Buy	253	400,129	400,124
		Sell	5	524	526
	TE	Buy	1	1,303	1,304
	TGF	Buy	27	11,460	11,450
Sell		15	6,417	6,353	
Futures contract (Abroad)	Index Futures	Buy	53	109,932	109,547
		Sell	70	130,157	129,920
	Precious metal Futures	Buy	103	89,369	90,619
		Sell	30	85,951	86,797
Foreign exchange Futures	Buy	19	81,198	80,751	
Option contract (Domestic)	TFO call	Buy	12	128	127
		Sell	32	282	234
	TFO put	Buy	32	113	82
		Sell	12	57	50
	TXO call	Buy	714	9,299	9,395
		Sell	881	3,648	3,238
	TXO put	Buy	391	5,421	4,842
		Sell	1,399	5,348	3,290
	AMO call	Buy	11	64	69
		Buy	5	15	6
	AMO put	Sell	11	60	40
		Sell	9	17	6
	XIO call	Buy	56	433	446
		Sell	47	178	187
	TEO put	Buy	68	528	116
		Sell	116	1,053	614
	TGO call	Buy	32	218	143
		Sell	28	33	2
	TGO put	Buy	13	108	32
		Sell	4	1	1
GTO call	Buy	22	280	336	
	Sell	11	16	26	
GTO put	Sell	16	1	1	

## 2. Fair value of financial assets and liabilities

	31-March-2011		31-March-2010	
	Book value	Fair value	Book value	Fair value
<b>Non-derivative instruments</b>				
<b>Financial assets</b>				
Cash and cash equivalents	\$2,068,045	\$2,068,045	\$1,875,422	\$1,875,422
Financial assets at fair value through				
profit or loss - current				
Opened funds				
Securities	16,032	16,032	90,188	90,188
Derivative financial instruments	689,163	689,163	778,687	778,687
Available for sale financial assets-	35,502	35,502	35,502	35,502
Non-current				
Long-term investment at equity	261,029	261,029	93,685	93,685
Held to maturity financial instruments –			-	-
non-current				
Refundable Deposits	8,127	8,127	8,285	8,285
<b>Financial liabilities</b>				
Financial liabilities at fair value through				
profit or loss-current				
derivative financial instrument	104,630	104,630	7,689	7,689
<b>Derivative instruments</b>				
Futures trading margins-house funds	618,071	618,071	763,093	763,093
Call Options – non-hedging	71,092	71,092	15,594	15,594
Put Option Liabilities	104,630	104,630	7,689	7,689

The methods and assumptions used to evaluate the fair value of each class of financial instruments are as follows:

- (1) Short-term financial instruments are stated at their carrying value on the balance sheet date. Because the maturity date of these instruments is very close to the balance sheet date, it is reasonable that their carrying amounts are equal to their fair values. Those in such category include cash and cash equivalents, notes and accounts receivable, margin deposits, other receivable operations guarantee deposits, clearing and settlement funds, refundable deposits, futures traders' equity, notes and accounts payable, income tax payable, other payables and accrued pension liabilities.
- (2) Quoted market prices, if available, are utilized as estimates of the fair value of financial assets and liabilities. If no quoted market prices available for the financial instruments, the fair value has been derived based on pricing models. A pricing

model incorporates all factors that market participants would consider in setting a price. The Company uses discount rates equal to the prevailing rates of return for financial instruments with similar characteristics. The characteristics involve debtor's credit standing, residual period of contracted fixed interest rates, residual period of principal repayment and currency of payment.

3. As of March 31, 2011 and 2010, the fair value of the financial instruments, which were based on quoted market value in active market or pricing model, were as follows:

	March 31, 2011		March 31, 2010	
	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	16,032	-	90,188	-
Derivative financial instruments :				
Call option contracts	71,092	-	15,594	-
Future trading margins-house funds	-	618,071	-	763,093
<b>Total</b>	<b>\$ 87,124</b>	<b>\$ 618,071</b>	<b>\$ 105,782</b>	<b>\$ 763,093</b>
<b>Financial liabilities</b>				
Financial liabilities at fair value through profit or loss-current				
Derivative financial instruments				
Put option liabilities	\$ 104,530	\$ -	\$ 7,689	\$ -

4. All the financial assets are not pledged as of March 31, 2011 and 2010.

## 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 primarily engaged in the public standardized transactions and the liquidity risk is assessed to be remote except for market making purpose.

As a market maker, cash settlement is usually adopted which permits the long and short to pay the net cash value of the position on the delivery date such as index option and avoid all risk by utilizing the put-call parity theory and hold up to the contract expiration.

If a physical delivery is required, the stop-loss mechanism has been established to control the risk at minimum level.

6. The significant information of credit risk

The Company's trading positions are widely diversified not only the counterparties but also the markets. Complied with the applicable regulations and strict self-disciplines to monitor the margin and control the risk on a daily basis.

X. Restrictions and enforcement of the Company's various financial ratios under ROC Futures Trading Law:

Art	Calculation formula	Current period		Prior period		Standard	Enforcement
		Calculation	Ratio	Calculation	Ratio		
17	Shareholders' equity Total liabilities – Futures traders' equity – Reserve for trading losses – Reserve for breach of contract losses	3,173,857 16,809,175 – 16,334,034	667.00%	2,873,208 18,249,150 – 17,626,593 – 14,347 – 199,615	703.19%	≥ 100%	Satisfactory to requirements
17	Current assets Current liabilities	19,161,593 16,723,736	114.58%	20,435,484 17,954,633	113.82%	≥ 100%	Satisfactory to requirements
22	Shareholders' equity Minimum paid-in capital	3,173,857 1,175,000	270.12%	2,873,208 1,175,000	244.53%	≥ 60% ≥ 40%	Satisfactory to requirements
22	Post-adjustment net capital Total customer margin deposits required for futures traders, not yet offset	2,686,771 1,374,015	195.54%	2,762,384 1,450,302	190.47%	≥ 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 security deposit. But the exchange rate risk is not significant compared to the return from the investment, the foreign currencies are held for the long run for trading. The foreign currencies are not exchanged physically every day. If the special condition makes the rate change significantly, the company hedges with foreign futures.

XII. Segment financial status: No need to be disclosed.

XIII. Significant subsequent events: Nil.

## XIV. Others

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

XV. Re-investment information

Investor	Investee	Location	Principal activity	Original investment amount		Ending balance			Investee's (loss) income of current period	Investment (loss) income recognized in current period
				Ending balance of current period	Ending balance of prior period	No. of shares (thousands)	Ratio	Book value		
Polaris MF Global Futures Co., Ltd.	MF Global Futures Trust Co., Ltd.	Taiwan	Raise the futures trust fund by issuing beneficiary certificates and use the futures trust fund for trading futures and related investments.	\$ 99,990	\$ 99,990	9,999	33.33%	\$ 84,137	(\$5,266)	(\$1,755)
Polaris MF Global Futures Co., Ltd.	Man Financial Futures(HK) Ltd.	Hong Kong	Financial Services	\$ 193,319	\$ -	6,000	100.00%	\$ 176,892	\$12	\$12

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.