PRESIDENT SECURITIES CORPORATION
NON-CONSOLIDATED BALANCE SHEETS
JUNE 30
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	2005		2004	
	Amount	%	Amount	%
ASSETS				
Current Assets				
Cash and cash equivalents	$ 505,066	1	$ 149,516	-
Short-term investments (Note 4 (1))	119,668	-	154,393	-
Bonds purchased under resale agreements (Note 4 (2))	5,981,733	12	3,626,008	9
Trading securities - dealer (Notes 4 (3) and 6)	19,293,904	38	5,916,842	15
Trading securities - underwriter (Note 4 (4))	760,949	2	722,992	2
Allowance for decline in value of securities - underwriting	(3,266)	-	(36,971)	-
Trading securities - warrants	-	-	778	-
Trading securities - hedging (Note 4 (5))	379,539	1	391,364	1
Allowance for decline in value of securities - hedging	(3,328)	-	(19,160)	-
Buy option - futures	1,728	-	2,121	-
Margin loans receivable (Note 4 (6))	11,297,241	23	14,683,513	36
Refinance guarantee deposit	-	-	14,694	-
Receivable on refinance guaranty	25,032	-	18,848	-
Futures guarantee deposits receivable (Notes 5 and 10)	350,471	1	360,134	1
Stock borrowing margin (Note 4 (26))	-	-	1,908,000	5
Derivative financial instrument assets - OTC (Note 10)	214,754	-	17,995	-
Notes receivable	2,635	-	2,890	-
Accounts receivable (Note 5)	92,458	-	113,194	-
Prepayments	20,494	-	40,703	-
Prepaid pension expenses	34,146	-	33,593	-
Other receivables	493,791	1	365,138	1
Restricted assets (Note 6)	1,573,760	3	1,737,341	4
Deferred tax assets (Note 4 (23))	136,984	-	99,696	-
Deferred loss of warrants	5,146	-	-	-
	41,282,905	82	30,303,622	74
Funds and Long-Term Investments (Note 4 (7))				
Long-term investments in equity securities - under the equity method	2,902,443	6	3,127,655	8
Long-term investments in equity securities - under the cost method	250,414	1	242,114	1
Long-term investments in bonds (Note 4 (14))	2,249,838	4	3,453,272	8
	5,402,695	11	6,823,041	17
Fixed Assets (Notes 6)				
Land	1,082,370	2	1,082,370	3
Buildings	703,712	2	720,962	2
Equipment	559,736	1	577,551	1
Advance payments for equipment	-	-	4,909	-
Leasehold improvements	75,041	-	77,568	-
Less: Accumulated depreciation	(627,764)	(1)	(601,985)	(1)
	1,793,095	4	1,861,375	5
Intangible Asset				
Business right	9,468	-	11,280	-
Other Assets				
Business security deposits (Note 6)	680,000	1	680,000	2
Exchange clearing deposits (Note 6)	323,257	1	326,006	1
Deposits-out (Note 6)	371,259	1	516,578	1
Deferred assets	2,975	-	4,025	-
Leased assets (Note 6)	39,990	-	-	-
Idle assets (Note 6)	-	-	40,232	-
Deferred tax assets (Note 4 (23))	46,994	-	48,208	-
	1,464,475	3	1,615,049	4
Securities Brokerage Debit Accounts-Net (Note 4 (25))	266,243	-	48,987	-
TOTAL ASSETS	$ 50,218,881	100	$ 40,663,354	100

	2005		2004	
	Amount	%	Amount	%
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current Liabilities				
Short-term loans (Note 4 (8))	$ 5,267,000	11	$ 4,081,000	10
Commercial paper payable (Note 4 (9))	5,416,415	11	2,913,398	7
Bonds sold under repurchase agreements (Note 4 (10))	9,738,004	19	7,388,004	18
Bonds purchased under resale agreements - securities financing (Note 4 (11	5,551,285	11	-	-
Warrants (Notes 4 (12) and 10)	36,141	-	305,738	1
Liabilities for sale of options-futures	3,943	-	3,070	-
Deposit on short sales	1,244,937	2	833,553	2
Short sale proceeds payable	1,635,268	3	1,055,207	3
Borrowed securities payable (Note 4 (26))	-	-	1,576,451	4
Derivative financial instrument liabilities - OTC (Note 10)	218,408	-	-	-
Accounts payable	94,866	-	156,962	-
Advance receipts	1,735	-	4,681	-
Collections for third parties	248,440	1	75,088	-
Other payables(Note 4 (13)(23))	2,401,632	5	2,547,904	6
	31,858,074	63	20,941,056	51
Long-term Liabilities				
Bonds payable(Note 4 (14))	2,000,000	4	3,000,000	7
Other Liabilities				
Reserve for default	200,000	1	200,000	1
Reserve for trading loss	34,401	-	-	-
Deposits-in	2,297	-	4,920	-
	236,698	1	204,920	1
Total Liabilities	34,094,772	68	24,145,976	59
SHAREHOLDERS' EQUITY				
Common stock (Note 4 (16))	11,404,990	23	11,406,730	28
Additional paid - in capital (Note 4 (17))	13,943	-	13,945	-
Treasury stock	45,047	-	46,214	-
Retained earnings				
Legal reserve (Note 4 (18))	1,467,036	3	1,329,903	3
Special reserve (Note 4 (19))	3,000,142	6	2,659,805	7
Unappropriated earnings (Note 4 (20))	329,448	-	1,102,149	3
Cumulative translation adjustments	(70,050)	-	27,988	-
Treasury stock (Note 4 (21))	(66,447)	-	(69,356)	-
Total Stockholders' Equity	16,124,109	32	16,517,378	41
Subsequent Events (Note 7)				
Other Disclosure Items (Note 11)				
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 50,218,881	100	$ 40,663,354	100

The accompanying notes are an integral part of the financial statements.
See report of independent accountants dated August 3, 2005.

PRESIDENT SECURITIES CORPORATION
NON-CONSOLIDATED STATEMENTS OF INCOME
FOR THE SIX - MONTH PERIODS ENDED JUNE 30
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS,
EXCEPT FOR EARNINGS PER SHARE AMOUNT)

	2005		2004	
	Amount	%	Amount	%
Revenues				
Securities brokerage fees	$ 650,669	35	$ 1,316,699	42
Underwriting fees	11,017	1	9,093	-
Gain on trading of securities - dealing	311,831	17	218,040	7
Gain on trading of securities - underwriting	13,645	1	32,237	1
Gain on trading of securities - hedging	19,821	1	-	-
Stock custodian income	44,570	2	43,381	1
Interest income	470,706	25	603,142	19
Dividend income	32,235	2	12,390	1
Profit from trading securities - RS financing covering	-	-	6,827	-
Profit from short covering	7,567	-	10,774	-
Gain on warrants issuance (Note 4(12))	85,220	5	403,821	13
Commissions on futures (Note 5)	53,512	3	84,512	3
Gain on futures contract (Note 10)	26,048	1	-	-
Gain on options (Note 10)	9,187	1	6,394	-
Gain on derivative financial instrument-OTC (Note 10)	-	-	87,091	3
Other operating income	2,316	-	85,081	3
Non-operating income	107,905	6	200,884	7
	1,846,249	100	3,120,366	100
Expenses (Note 5)				
Handling charges - broking	(45,249)	(3)	(86,591)	(3)
Handling charges - dealing	(13,545)	(1)	(9,427)	-
Service charges - refinancing	(866)	-	(782)	-
Loss on trading of securities - warrants	(1,325)	-	(38)	-
Loss on trading of securities - hedging	-	-	(214,402)	(7)
Interest expense	(40,367)	(2)	(40,290)	(1)
Loss from trading securities - RS financing covering	(23,225)	(1)	-	-
Loss on decline in value of securities	(5,595)	-	-	-
Warrants issuance expenses	(824)	-	(1,378)	-
Loss on trading of futures (Note 10)	-	-	(39,121)	(1)
Clearing charges	(5,748)	-	(3,517)	-
Loss on derivative financial instruments - OTC (Note 10)	(45,765)	(3)	-	-
Operating expenses	(1,089,682)	(59)	(1,402,752)	(45)
Other operating expenses	(709)	-	(384)	-
Non-operating expenses	(73,021)	(4)	(113,704)	(4)
	(1,345,921)	(73)	(1,912,386)	(61)
Income before income tax	500,328	27	1,207,980	39
Income tax (Note 4 (23))	(181,377)	(10)	(262,672)	(9)
Net income	$ 318,951	17	$ 945,308	30
Basic earnings per share (Note 4 (24))				
Income before income tax (in NT Dollars)	$ 0.44		$ 1.06	
Income after income tax (in NT Dollars)	$ 0.28		$ 0.83	

The accompanying notes are an integral part of the financial statements.
See report of independent accountants dated August 3, 2005.

PRESIDENT SECURITIES CORPORATION

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

			Retained Earnings					
	Common Stock	Capital Reserve	Legal Reserve	Special Reserve	Unappropriated Earnings	Cumulative Translation Adjustments	Treasury Stock	Total
Balance at January 1, 2004	$ 11,406,730	$ 60,159	$ 1,139,604	$ 2,279,209	$ 1,928,444	$ 27,988	$ -	$ 16,842,134
Appropriations of 2003 earnings:								
Cash dividends	-	-	-	-	(1,140,673)	-	-	(1,140,673)
Legal reserve	-	-	190,299	-	(190,299)	-	-	-
Special reserve	-	-	-	380,596	(380,596)	-	-	-
Cash bonus to employees	-	-	-	-	(24,014)	-	-	(24,014)
Remuneration to directors and supervisors	-	-	-	-	(36,021)	-	-	(36,021)
Purchase of treasury stock	-	-	-	-	-	-	(69,356)	(69,356)
Net income	-	-	-	-	945,308	-	-	945,308
Balance at June 30, 2004	$ 11,406,730	$ 60,159	$ 1,329,903	$ 2,659,805	$ 1,102,149	$ 27,988	($ 69,356)	$ 16,517,378
Balance at January 1, 2005	$ 11,404,990	$ 58,990	$ 1,329,903	$ 2,659,805	$ 1,528,177	($ 66,069)	($ 66,447)	$ 16,849,349
Appropriations of 2004 earnings:								
Cash dividends	-	-	-	-	(988,200)	-	-	(988,200)
Legal reserve	-	-	137,133	-	(137,133)	-	-	-
Special reserve	-	-	-	340,337	(340,337)	-	-	-
Cash bonus to employees	-	-	-	-	(20,804)	-	-	(20,804)
Remuneration to directors and supervisors	-	-	-	-	(31,206)	-	-	(31,206)
Net income	-	-	-	-	318,951	-	-	318,951
Cumulative translation adjustments	-	-	-	-	-	(3,981)	-	(3,981)
Balance at June 30, 2005	$ 11,404,990	$ 58,990	$ 1,467,036	$ 3,000,142	$ 329,448	($ 70,050)	($ 66,447)	$ 16,124,109

The accompanying notes are an integral part of the financial statements.

See report of independent accountants dated August 3, 2005.

PRESIDENT SECURITIES CORPORATION
STATEMENT OF CASH FLOWS
FOR THE SIX-MONTH ENDED JUNE 30
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	2004	2003
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 945,308	$ 797,870
Adjustments to reconcile net income to net cash provided by (used in) operating activities		
Depreciation Expense (Inclding Idle Assets)	56,839	61,776
Amortization	1,430	1,081
Provision for decline in value of short-term investments	607	(7,287)
Provision for (gain on reversal) of bad debts	6,062	(3,082)
Write off of bad debts	(1,987)	(159,395)
Recovery of decline in value of securities	(35,735)	(563,069)
Gain on long-term investment in equity securities accounted for under equity method	(94,879)	(40,553)
Proceed from cash dividend-under equity method	83,437	31,539
Loss (gain) on disposal of fixed assets	13	(39)
(Write-off) prevision for of reserve for trading lossReserve for trading lo:	(45,213)	35,333
Change in balance sheet accounts		
Short-term investments	(100,000)	(2,714,722)
Bonds purchased under resale agreements	1,605,994	(6,139,934)
Trading securities-dealing	7,468,970	822,780
Trading securities-underwriting	357,118	941,524
Trading securities - warrants	(778)	-
Trading securities-hedging	319,132	206,728
Buy option - futures	(2,121)	-
Net cash funded from margin loans and short sales transaction	(1,422,128)	344,720
Receivable-futures deposits	(200,162)	10,097
Derivative financial instrument assets - OTC	5,561	-
Notes receivable	(333)	(806)
Accounts receivable	(65,974)	(149,879)
Other receivable	(10,333)	203,101
Prepayments	(18,493)	808
Prepaid pension expense	(4,348)	(5,471)
Deferred tax assets	(42,733)	21,501
Deferred loss of warrants	14,804	-
Bonds sold under repurchase agreements	(8,266,347)	4,938,895
Warrants	149,949	(67,138)
Liabilities for sale of option	(6,709)	-
Derivative financial instrument liabilities - OTC	-	(9,249)
Accounts payable	(157,365)	49,821
Advance receipts	3,115	(1,678)
Collections for third parties	(138,871)	2,566
Other payable	1,573	(83,197)
Borrowed securities payable-non-hedging	1,576,451	-
Income tax payable	305,008	15,378
Net cash provided by (used in) operating activities	2,286,862	(1,459,981)

(Continued)

PRESIDENT SECURITIES CORPORATION
STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE SIX-MONTH ENDED JUNE 30
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	2005	2004
CASH FLOWS FROM INVESTING ACTIVITIES:		
Increase in long-term investments in equity securities - under the equity method - increase in subsidiaries	$ -	($ 504,078)
Increase in long-term investments in equity securities - under the equity method - increase in non-subsidiaries	-	(295,000)
Purchases of fixed assets	(7,583)	(33,121)
Increase in operating guarantee deposits	-	(45,000)
(Increase) decrease in exchange cleaning deposits	(2,374)	28
Decrease (increase) in deposits-out	54,204	(93,509)
Decrease (increase) in refinance guarantee deposits	18,480	(6,658)
Decrease (increase) in receivable from refinance guaranty	8,300	(4,248)
Increase in stock borrowing margin	-	(1,908,000)
Decrease (increase) in restricted assets	189,646	(54,086)
Net cash provided by (used in) investing activities	260,673	(2,943,672)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Decrease in short-term loans	2,549,000	883,000
(Increase) decrease in commercial paper payable	3,892,939	(662,132)
Bonds payable prior to the maturity	(481,000)	-
Decrease (increase) in deposits-in	(1,771)	1,528
Purchase of treasury stock	-	(69,356)
Net cash provided by financing activities	5,959,168	153,040
Net increase (decrease) in cash and cash equivalents	423,776	(132,295)
Cash and cash equivalent beginning balance	81,290	281,811
Cash and cash equivalent ending balance	$ 505,066	$ 149,516
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid for interest	$ 96,449	$ 145,120
Cash paid for income tax	$ 203,114	$ 12,415

The accompanying notes are an integral part of the financial statements.
See report of independent accountants dated August 3, 2005.

PRESIDENT SECURITIES CORPORATION

NON-CONSOLIDATED FINANCIAL STATEMENTS

AND REPORT OF INDEPENDENT ACCOUNTANTS

JUNE 30, 2005 AND 2004

These English financial statements were translated from the financial statements originally prepared in Chinese.

Review Report of Independent Accountants

PB8P08743.B05

To the Board of Directors and Stockholders of

President Securities Corporation

We have audited the accompanying non-consolidated balance sheets of President Securities Corporation as of June 30, 2005 and 2004, and the related non-consolidated statements of income, of changes in stockholders' equity and of cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

As described in Note 4(7) and 11, we did not audit the financial investments of certain long-term investments, accounted for under the equity method, which statements reflect long-term investment balance of $2,347,440,000 and translation adjustments of $27,988,000 as of June 30, 2004 and the related investment income of $54,652,000 for the six-month period then ended. These amounts and the information are on these subsidiaries and investee companies in Note 11 were based solely on their unaudited financial statements as of June 30, 2004.

In our opinion, except for the effect on the non-consolidated financial statements of such adjustments, if any, as might have been determined to be necessary had the investee companies' financial statements as motioned in the preceeding paragraph been audited by independents accountants, the non-consolidated financial statements referred to above present fairly, in all material respects, the financial position of President Securities Corporation as of June 30, 2005 and 2004, and the results of its operations and its cash flows for the six-month periods then ended in conformity with the "Rules Governing the Preparation of Financial Statements of Securities Issuers" and generally accepted accounting principles in the Republic of China.

August 3, 2005

Taipei, Taiwan

Republic of China

The accompanying non-consolidated financial statements are not intended to present the financial position and 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 utilized in the Republic of China governing the review of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying non-consolidated financial statements and review report of the independent accountants are not intended for use by those who are not informed about the accounting principles or review standards generally accepted in the Republic of China, and their applications in practice.

PRESIDENT SECURITIES CORPORATION

NOTES TO NON- CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2005 AND 2004

(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS,

EXCEPT AS OTHERWISE INDICATED)

1. HISTORY OF ORGANIZATION

President Securities Corporation ("the Company") was incorporated as a company limited by shares under the provisions of the Company Law of the Republic of China (R.O.C.) on December 17, 1988, and started commercial operations on April 3, 1989. As of June 30, 2005, the Company had 35 operating branches with 1,400 employees.

The Company is primarily engaged in the underwritings, dealings, broking, and financings of marketable securities, futures, warrants and derivative financial instruments.

The Company's shares are listed on the Taiwan Stock Exchange.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements are prepared in accordance with the "Criteria Governing the Preparation of Financial Reports Securities Firms", "Criteria Governing the Preparation of Financial Reports by Futures Commission Merchants" and accounting principles generally accepted in the Republic of China. A summary of the Company's significant accounting policies is described below:

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts of assets and liabilities and the disclosures of contingent assets and liabilities at the date of the financial statements and the amounts of revenues and expenses during the reporting period. Actual results could differ from those assumptions and estimates.

Translation of foreign currency transactions

The accounts of the Company are maintained in New Taiwan dollars. Transactions arising in foreign currencies during the period are converted at the exchange rates prevailing on the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated into New Taiwan dollars at the exchange rates prevailing at the balance sheet date. All exchange gains or losses are included in the current period’s net income (loss).

Short-term investments

Short-term investments are stated at the lower of cost or market value; cost of securities sold is determined by the moving average method. The market value of investments of open-end mutual funds is based on the net asset value at balance sheet date.

Trading securities

1) Debt securities are stated at the lower of cost or market value; cost of securities sold is determined by the moving average method. Investments in debt securities are valued at balance sheet date closing reference price. At the balance sheet date, subsequent declines in carrying values are included in the current operating results.
2) Equity securities, except for that of emerging stocks and unlisted underwriting stocks which are accounted for under the cost method, are stated at the lower of cost or market value; cost of securities sold is calculated based on the moving average method. When stock dividends related to the equity securities are received, the cost of per share will be recalculated using the total investment divided by total number of shares including stock dividends. Securities bought and held for the purpose of hedging are stated under the lower of cost or market method based on the relative warrants and structured notes. Market prices for listed and OTC stocks and closed-end funds are based on latest quoted market prices of the accounting period.

Allowance for doubtful accounts

The allowance for doubtful accounts is provided based on the management assessment and collectibility of the ending balances for margin loans receivable, receivable on refinance guaranty, notes receivable, accounts receivable, other receivables, and overdue accounts. In additions, an allowance based on 3% of the Company's revenues is provided in accordance with Tai-Tsai-Cheng No. 88282416. This regulation has been suspended effective July 1, 2003.

Bonds sold under repurchase agreements and bonds purchased under resale agreements

Bonds sold with repurchase or purchased with resale agreements are stated at cost. The variance between the contracted price and the cost is amortized over the life of the contract.

Tradings of futures

The Company receives or pays commissions on services provided on futures tradings.

Long-term investments

1) Long–term investment in which the Company owns less than 20% of the voting rights of investee company and has no ability to exercise significant influence on the investee company's operational decisions are stated at the cost method.

   Long–term investment in which the Company owns at least 20% of the voting rights of investee company are accounted for using the equity method, unless there is evidence that the Company cannot exercise significant influence over the investee company's operational decisions.

In accordance with the R.O.C. generally accepted accounting principles and R.O.C. SFC regulations, the Company prepares annual financial statements on a non-consolidated and consolidated bases, which include the accounts of the majority owned subsidiaries, except for subsidiaries with total assets and operating revenue constituting less than 10% of the Company's respective non-consolidated totals.

Irrespective of the above test, if the combined total assets or operating revenues of all such non-consolidated subsidiaries constitute more than 30% of the Company’s respective non-consolidated totals, then each individual subsidiary with total assets or operating revenues constituting more than 3% of the Company’s respective non-consolidated totals is consolidated. In subsequent years, such consolidated subsidiaries will continue to be consolidated unless the 30% ratio was decreased to 20%.

2) For foreign investments accounted for under the equity method, the Company’s proportionate share of the foreign investee company’s cumulative translation adjustment resulting form translating the foreign investee company’s financial statements into New Taiwan dollars is recognized by the Company and is included in the cumulative translation adjustments account in the Company’s shareholders’ equity.

Fixed assets, idle assets and rental assets

1) Fixed assets are stated at cost. Interest incurred during the period required to complete and prepare the asset for its intended use is capitalized. Depreciation is provided using the straight-line method based on the estimated economic useful lives of the assets plus one year representing residual value except for leasehold improvements, which are depreciated based on useful lives or the terms of the contract. Fully depreciated assets still in use are depreciated based the residual value over the useful lives. The estimated useful lives of main fixed-assets range from 3 to 5 years, except for buildings, which are 50 years.

2) Major renewals and improvements are treated as capital expenditure and are depreciated accordingly. Maintenance and repairs are expensed when incurred.

3) When an asset is sold or retired, the cost and accumulated depreciation are removed from the respective accounts and the resulting gain or loss is included in current operation.

4) Property, plant and equipment which are not used for operations are recorded as idle assets or leased assets based on the lower of net realizable value or book value, and any loss is recorded as non-operating expense.

Intangible asset

Intangible asset consist of business rights which is stated at cost and is amortized over the estimated lives of the asset based on the straight-line method.

Investment under resale agreements-securities financing

Investment is stated at the lower of cost or market value. Market prices are based on latest quoted market prices. Cost of securities sold is determined by the moving average method. Relevant gain or loss are recognized as “gains (losses) on sale of securities.”

Warrants

1) The warrants are stated at fair-value on the balance sheet date. Loss on warrants is deferred if the amount of decline is below the unrealized gain of the hedging instrument.
2) Warrants repurchased are charged against the warrant account.
3) When warrants are exercised, the difference between the carrying value of warrants and the value of cash or stock delivery is included in the current operating results.

Bonds payable

1) The premium or discount on bonds is amortized over the life of the bonds.
2) If the difference between payment before the maturity date and the book value at liquidation data is significant, it should be recognized as extraordinary gain or loss.

Reserve for default

1) In accordance with the Rules Governing the Administration of Securities Firms, the Company provides monthly a default reserve at 0.0028% of the settlement value.

2) This reserve shall be used only to offset against actual loss resulting from customers' default on securities transactions or other losses approved by the Securities and Futures Commission (SFC).

Reserve for trading loss

In accordance with the Rules Governing the Administration of Securities Firms, the Company provides monthly a reserve for trading loss or realized gain of future department at 10% of the net gain from trading of securities. This reserve shall only be used to offset actual loss on securities tradings.

Pension plan

1) The Company has a non-contributory and funded defined benefit Pension Plan (the Plan) covering all regular employees in accordance with the R.O.C. Labor Standard Law. Under the Plan, the Company contributes monthly an amount equals to 4.4% of employees' monthly base salaries and wages to an independent fund with the Central Trust of China, the trustee. The pension fund is not included in the Company's financial statements.

2) The Company adopted R.O.C. SFAS No.18 "Accounting for pension cost", and based on an actuarial valuation report to recognize the pension cost. The excess of accumulated benefits obligation over fair value of plan assets is recognized as minimum pension liability on the balance sheet date.

Treasury Stock

When the Company acquires its own outstanding stocks, those shares are treated as treasury stocks and stated at cost under the weighted-average method in accordance with the reasons for purchases and the types of stocks (i.e. common stock or preferred stock). The transactions are processed as follows:

1) Treasury stocks, representing issued stocks reacquired by the Company, are stated at cost and presented as a deduction under shareholders' equity.

2) Upon subsequent disposal of the treasury stock, the gain is credited to capital reserve, and the loss is first charged against the capital reserve and the excess, if any, is charged against retained earnings.

3) When stocks are retired and the cost is in excess of par value and the paid-in capital-treasury stock account balance, the excess is first charged to paid-in capital related to treasury stock of the same class. Any deficiency is charged to retained earnings. If the cost is below par value and paid-in capital from treasury stock, the difference is credited to paid-in capital-treasury stock account of the same class.

<u>Revenues and expenses</u>

Revenues and expenses are recorded as follows:

1) Gains (losses) on sale of securities, securities brokerage fees, and commissions on brokerage and tradings are recognized on the transaction date.

2) Interest revenues from margin loans are recognized and accrued over the loan period. Interest expense on short selling is recognized and accrued over the short selling period.

3) Underwriting fees and related service charges: application fees are recognized upon collection; underwriting fees and service charges are recognized when the contract is completed.

4) Stock custodian income is recognized monthly based on the terms of the contract.

5) Commissions on futures and gains (losses) on trading of futures: Please refer to note "Tradings of futures". (Note 2(7))

6) Gains or losses on warrants: Please refer to note "Warrants ". (Note 2(12))

Income tax

1) In accordance with R.O.C. SFAS No. 22, “Accounting for Income Taxes”, the income tax effect of temporary differences, losses available for carry-forward and income tax credit is recorded as deferred tax assets/liabilities. The realization of deferred tax assets is evaluated at the balance sheet date and any portion not realizable is accounted for as an allowance. Deferred tax assets and liabilities are classified as current or non-current based on the classification of the related assets and liability or the expected reversal date of the temporary difference. Over or under provision of prior years’ income tax liabilities is included in the current year’s income tax expense.
2) In accordance with R.O.C. SFAS No.12, “Accounting for Investment Tax Credits”, investment tax credits resulting from the expenditure for acquisition of machinery or technology, research and development, employees trainings, and equity investments are recognized in the period the related expenditure is incurred.
3) The additional 10% income tax on undistributed earnings of the Company is recognized as tax expense in the period that the shareholders approved a resolution to retain the earnings.

Derivatives of Financial Instruments

1) The derivatives of financial and non-financial instruments for tradings are accounted for based on their fair value. Realized or unrealized changes in the fair value of the derivatives are recognized in current operations.
2) Income or loss attributed to the hedge of assets or liabilities is recognized as income or loss during the period, and the book value of the assets or liabilities is adjusted accordingly. Income or loss arising from the hedge of a commitment or future transaction is deferred.

Borrowed securities payable - non-hedging

Tradings of bonds borrowed are recorded under “borrowed securities payable-non-hedging” on the transaction date at market value, and stated at the higher of cost or market value at the balance sheet date.

Classification of current and non-current assets and liabilities

Current assets consist of cash and cash equivalent, assets held for tradings, and short term assets to be converted into cash within twelve months after the year end; all others assets are classified as non-current assets. Current liabilities consist of liabilities due within one year; all others liabilities are classified as non-current liabilities.

Asset impairment

Impairment of asset is recognized when circumstances change or one or more events occur indicating the carrying amount may not be recoverable. The asset is not recoverable when future cash flows are less than the carrying amount. In such cases, an impairment loss is recognized for the amount the carrying value over the fair value.

3. REASON AND EFFECT ON THE CHANGE IN ACCOUNTING PRINCIPLE

The Company adopted R.O.C. SFAS No. 35 “Accounting for Asset Impairment”, effective January 1, 2005. The adoption of the accounting principle has no material impact on the financial statements.

4. THE DESCRIPTION FOR SIGNIFICANT ACCOUNT

1) SHORT-TERM INVESTMENTS

Short-term investments were all mutual funds.

2) BONDS PURCHASED UNDER RESALE AGREEMENTS

As of June 30, 2005 and 2004, bonds purchased under resale agreements were due within one year. Annual interest rates for bonds ranged from 1.080% to 1.782% and from 0.775% to 1.489%, for the six-month periods ended June 30, 2005 and 2004, respectively, except for the interest rates of government bonds A94104 which ranged from –0.11%~0.8% for the six-month period ended June 30, 2005.

3) TRADING SECURITIES-DEALER

	June 30,			
	2005		2004	
Lower of cost or market method				
Listed (TSE and OTC) stocks	$	1,593,443	$	243,981
Government bonds		8,686,900		3,198,812
Financial bonds		4,069,887		49,998
Secured corporate bonds		302,665		1,282,863
Unsecured corporate bonds		8,686,900		-
Corporate bonds		1,476,803		-
Convertible corporate bonds		2,194,520		1,008,588
Overseas convertible corporate bonds		874,787		-
Cost method				
Emerging stocks		44,901		132,630
	$	27,930,806	$	5,916,872

4) TRADING SECURITIES - UNDERWRITER

	June 30,			
	2005		2004	
Lower of cost or market method				
Listed (TSE and OTC) stocks	$	20,104	$	196,492
Convertible corporate bonds		740,845		526,500
	$	760,949	$	722,992

5) TRADING SECURITIES – HEDGING

	June 30,			
	2005		2004	
Listed TSE stocks	$	351,539	$	391,364
Listed OTC convertible corporate bonds		28,000		-
	$	379,539	$	391,364

6) MARGIN LOANS RECEIVABLE

The margin loans receivable was secured by the securities purchased by customers under margin loans. For June 30, 2005 and 2004, the annual interest rate were both 6.35%.

7) LONG-TERM INVESTMENTS

Investees	June 30, 2005 Amount	June 30, 2005 Percentage of Ownership	June 30, 2004 Amount	June 30, 2004 Percentage of Ownership
Equity method				
President Futures Corporation	$ 783,792	94.66%	$ 780,215	94.66%
President Securities (HK) Limited	44,726	5.19%	49,523	5.19%
President Securities (BVI) Limited	297,573	100.00%	308,233	100.00%
President Capital Management Corporation	1,305,373	100.00%	1,483,454	100.00%
President Investment Trust Co., Ltd.	470,979	28.66%	506,230	28.66%
	2,902,443		3,127,655	
Cost method				
Global Securities Finance Co., Ltd.	115,664	1.75%	115,664	1.75%
Taiwan Securities Central Custody Depository Co., Ltd.	2,450	0.27%	2,450	0.27%
Taiwan International Mercantile Exchange Co., Ltd.	4,000	0.20%	4,000	0.20%
Hua VI Venture Capital Corporation	90,000	8.70%	90,000	8.70%
Cathy Capital Corporation	30,000	5.00%	30,000	5.00%
Service Company	8,300	2.77%	-	-
	250,414		242,114	
Government bonds				
A89105 period 89-5	-	-	1,450,761	-
A92101 period 92-1	-	-	1,302,155	-
A93101 period 93-1	200,039	-	700,356	-
A94010 period 94-1	2,049,799	-	-	-
	2,249,838		3,453,272	
	$ 5,402,695		$ 6,823,041	

A. The Company and President Securities (BVI) Limited jointly owned 100% of the outstanding shares of President Securities (HK) Limited, accordingly, this investments is accounted for under the equity method.

B. The Company increased its ownership in President Investment Trust Co., Ltd. for the six-month periods ended June 30, 2004. The investment is accounted for under the equity method.

C. The Company recognized long-term investment loss of $12,818 for the six-month periods ended June 30, 2005 under the equity method based on the investees' financial statements which were not audited by independent accountants.

D. The Company recognized long-term investment income of $40,227 for the six-month period ended June 30, 2004 in President Futures Corp., accounted for under the equity method, based on its audited financial statements. The long-term investment income of $54,652 recognized for the other investees accounted under the equity, was based on their unedited financial statements for the six-month period ended June 30, 2004.

E. The consolidated financial statements have include all majority owned subsidiaries.

8) SHORT-TERM LOANS

	June 30, 2005	June 30, 2004
Secured loans	$ 5,267,000	$ 4,081,000
Interest rate	1.28% 1.42%	1.17% 1.30%

9) COMMERCIAL PAPER PAYABLE

	June 30, 2005	June 30, 2004
Face value	$ 5,419,000	$ 2,915,000
Less: Discount	(2,585)	(1,602)
	$ 5,416,415	$ 2,913,398
Interest rate	0.87% 1.23%	0.70% 1.13%

The commercial paper payable was guaranteed by a bills-financing institution.

10) BONDS SOLD UNDER REPURCHASE AGREEMENTS

As of June 30, 2005 and 2004, bonds sold under repurchase agreements were due within one year with annual interest rates ranging from 0.85% to 1.225% and from 0.500% to 1.025%, respectively.

11) BONDS INVESTMENT UNDER RESALE AGREEMENTS – SECURITIES FINANCING

Bonds investment under resale agreements – securities financing were all government bonds.

12) WARRANTS

	June 30, 2005	June 30, 2004
Warrants	$ 910,360	$ 1,335,820
Gain on price fluctuation (including deferred loss)	(351,314)	(942,087)
Market value	559,046	393,733
Repurchase of warrants	634,713	532,638
Loss on price fluctuation	(111,808)	(444,643)
Market value	522,905	87,995
Warrants-net	$ 36,141	$ 305,738

The warrants carry an American-option and have six-month to one - year exercise period from the date of issuance. The issuer has the option to settle either by cash or stock delivery.

The details of warrants as of June 30, 2005 are as follows:

		Warrants (in NT Dollars)				
Warrants	Units Issued	Underlying Securities	Issuance Date	Issuance Price	Market Value	Strike Price
PRESIDENT 50	20,000,000	MIC	93.11.18	$ 2.680	$ 12.80	$ 21.45
PRESIDENT 51	20,000,000	E.S.F.H.	93.11.18	2.927	0.01	33.88
PRESIDENT 52	80,000,000	NTC	93.11.19	0.845	0.17	24.50
PRESIDENT 53	60,000,000	SNC	93.11.22	1.193	0.17	42.16
PRESIDENT 54	45,000,000	CHT	93.11.22	0.995	0.13	67.10
PRESIDENT 55	45,000,000	TSMC	93.11.22	1.293	0.72	54.23
PRESIDENT 56	30,000,000	YAGEO	94.01.17	1.592	0.12	15.60
PRESIDENT 57	25,000,000	SINTEK	94.01.24	1.888	1.20	17.48
PRESIDENT 58	30,000,000	OPTIMAX	94.01.24	1.490	0.34	82.23
PRESIDENT 59	40,000,000	OUCC	94.01.24	1.043	0.34	33.70
PRESIDENT 60	30,000,000	EVERLIGHT	94.04.06	1.084	1.08	39.50
PRESIDENT 61	20,000,000	PPT	94.04.08	2.465	5.80	31.92
PRESIDENT 62	25,000,000	CMO	94.05.12	1.900	1.45	75.75

13) OTHER PAYABLE

	June 30,			
	2005		2004	
Cash dividends payable	$	988,200	$	1,140,673
Income tax payable		1,001,402		871,478
Salaries Payable		170,456		253,463
Board of directors remuneration payable		31,206		36,021
Employees' bonus payable		20,804		24,014
Other payable		189,564		222,255
	$	2,401,632	$	2,547,904

14) BONDS PAYABLE

The Company issued secured bonds on December 24, 2003. Relevant information is as follows:

A. Total issuing amount: Eleven types of bonds totaling $3,000,000, with different stated interest rate.

B. Selling price: Each bond issued at $10,000 per bond at par value.

C. Interest rates: The interest rates are floating, based on the 6-Month LIBOR Rate. As of June 30, 2005, the interest rates ranged from 1.35% to 1.65%.

D. As of June 30, 2005, the Company repurchased bonds with par value of $1,000,000 at the cost of $968,600 (excluding interest) and retired on October 2004 and May 2005, respectively.

E. Repayment of bonds: Bonds are redeemable at par value on maturity.

F. Life of the bonds: From December 24, 2004 to December 24, 2008.

G. Interest distribution and calculation: Semi-annually at the stated interest rate.

H. Guarantor: China Trust Commercial Bank.

I. Securities: Please refer to note 6.

J. The Company uses interest rate swap for hedging against the intent rate changes. Please also refer Note 10.2(4).

15) PENSION PLAN

The pension expense for the six - month periods ended June 30, 2005 and 2004 was $23,447 and $9,447, respectively. As of June 30, 2005 and 2004, the balance of the independently administered pension fund deposited with the Central Trust of China, the trustee was $249,727 and $219,931, respectively. The fund balances are not reflected in the financial statement.

16) COMMON STOCK

As of June 30, 2005 and 2004, the Company's authorized capital stock was $15,000,000. The Company issued common stocks were 1,140,499,000 and 1,140,673,000 shares, and outstanding stocks were 1,135,862,000 shares as of June 30, 2005 and 2004, respectively, at par value of $10 (dollars) per share.

17) CAPITAL RESERVE

Under the revised Company Law, up to 10% of the total amount of capital reserve may be used to cover accumulated deficit except for the paid-in capital in excess of par from the issuance of common stock and treasury stock which may be used to increase capital provided the amount to be capitalized does not exceed 10% of the balance.

18) LEGAL RESERVE

As required by the Company Law, 10% of the current year's earnings, after paying all taxes and offsetting prior years' operating losses, if any, shall be set aside as legal reserve until the cumulative balance equals the total amount of paid-in capital. The legal reserve shall be used exclusively to cover accumulated deficit or to increase capital and shall not be used for any other purposes. Such capitalization shall not be permitted unless the Company had already accumulated a legal reserve of at least fifty percent of its paid-in capital stock, and only half of such legal reserve may be capitalized.

19) SPECIAL RESERVE

A. According to the Rules Governing the Administration of Securities Firms, 20% of the current year's earnings, after paying all taxes and offsetting prior years' operating losses, if any, shall be set aside as special reserve until the cumulative balance equals the total amount of paid-in capital. The special reserve shall be used exclusively to cover accumulated deficit or to increase capital and shall not be used for any other purpose. Such capitalization shall not be permitted unless the Company has already accumulated a special reserve of at least fifty percent of its paid-in capital stock and only half of such special reserve may be capitalized.

B. For dividend distribution purposes, the listed and over-the-counter companies shall exclude the balances of the contra accounts from the unappropriated earnings balance in the stockholders’ equity account.

20) UNAPPROPRIATED EARNINGS

A. In accordance with the Company's Articles of Incorporation, the current year's earnings after paying all taxes and offsetting prior year's operating losses, if any, shall be set aside as legal reserve and special reserve. In addition, an amount will be appropriated from the remaining net income following a resolution approved by the Company's stockholder's meeting to be allocated as follows: 3% as special bonus to directors and supervisors; 2% as bonus to employees, and the remainder as dividends to stockholders.

B. In addition, under the Company’s Articles of Incorporation, the total amount of dividends declared every year should not be below 70% of distributable earnings, of which stock dividends should not be below 50%.

C. In the event of major investments or expansion, dividends distribution will be in stock dividends only.

D. The resolution of annual shareholders’ meeting was to distribute cash dividends NT$0.87 (in dollar) and NT$1 (in dollar) per share for 2005 and 2004, respectively.

21) TREASURY STOCK

A. Details of 2005 treasury stock transactions for the six-month period ended June 30, 2005:

(Expressed in thousands of shares)

Purpose	Beginning Balance	Addition	Disposal	Ending Balance
Enhancement of share value	4,637	-	-	4,637

B. Details of 2004 treasury stock transactions for the six-month period ended June 30, 2004:

(Expressed in thousand of shares)

Purpose	Beginning Balance	Addition	Disposal	Ending Balance
Employees ownership	-	174	-	174
Enhancement of shave value	-	4,637	-	4,637
	-	4,811	-	4,811

C. According to the Securities and Exchange Law, total number of treasury stocks may not exceed 10% of total shares outstanding and the total amount may not exceed the sum of the balance of retained earnings, the paid in capital in excess of par and realized capital reserve.

D. Under the Securities and Exchange Law, treasury stocks acquired by the Company may not be pledged and bear no stockholder's right before reissue.

E. Under the Securities Exchange Law, treasury stock acquired to enhance share value should be retired within six months from the date of acquisition. In addition, the treasury stocks purchased for employee ownership should be completed within three years from the date of acquisition. Otherwise, these shares are to be retired.

22) PERSONNEL, DEPRECIATION, AND AMORTIZATION EXPENSES

	For the six-month period ended, June 30, 2005				
Nature/ Function	Brokerage	Dealing	Underwriting	Administration	Total
Personnel Expenses					
Salaries	$ 473,638	$ 24,409	$ 26,235	$ 58,063	$ 582,345
Insurance	27,094	1,604	1,931	3,514	34,143
Pension	18,168	1,203	1,291	2,785	23,447
Others	21,432	798	1,151	14,492	37,873
Depreciation expense	35,892	2,515	3,871	4,433	46,711
Amortization expense	-	-	-	1,431	1,431

	For the six-month period ended, June 30, 2004				
Nature/ Function	Brokerage	Dealing	Underwriting	Administration	Total
Personnel Expenses					
Salaries	$ 568,811	$ 21,569	$ 27,655	$ 242,153	$ 860,188
Insurance	28,382	1,332	2,100	3,221	35,035
Pension	6,807	536	738	1,366	9,447
Others	18,434	741	1,304	18,734	39,213
Depreciation expense	43,449	2,527	5,195	5,541	56,712
Amortization expense	-	-	-	1,430	1,430

Note: The depreciation expense of leased assets and idle assets for the six-month periods ended, June 30, 2005 and 2004 were $121 and $127, respectively, and recorded as non-operating expense.

23) INCOME TAX

A. Income tax expense and payable

	For the six-month period ended, June 30,	
	2005	2004
Income tax payable	$ 228,392	$ 198,182
Prepaid income tax	12,484	12,270
Accumulative effect of deferred tax assets	(53,996)	42,734
Under provision of prior year's income tax	(5,871)	9,341
Tax on separately taxed income	368	145
Income tax expense - current	181,377	262,672
Retention tax (10%) on unappropriated earnings	-	-
Income tax expense	$ 181,377	$ 262,672

B. The temporary tax differences of deferred tax assets are as follows:

	June 30,							
	2005				2004			
Temporaty difference		Amount		Tax effects		Amount		Tax effects
Current assets								
- Bad debts	$	853,421	$	213,355	$	181,711	$	45,428
- Others	(	305,485)	(	76,371)		217,074		54,268
			$	136,984			$	99,696
Non-current assets								
- Unrealized loss on default	$	177,568	$	44,392	$	177,568	$	44,392
- Others		10,406		2,602		15,265		3,816
			$	46,994			$	48,208

C. Imputation tax system

	June 30,			
	2005		2004	
The balance of imputation credits account	$	61,670	$	510,092
	2004		2003	
Estimated rate of imputation credits		4.10%		28.51%
	(Estimated)		(Actual)	

D. Unappropriated earnings

	June 30,			
	2005		2004	
Before 1997	$	10,497	$	25,463
1998 forwards		318,951		1,076,686
	$	329,448	$	1,102,149

E. The Company’s income tax returns through 2003 have been assessed by the Tax Authority, except for 2000.

F. The Tax Authority has imposed, additional income tax in the amount of $124,486 on the 1998 income tax returns. The Company has contested the assessment and provided time deposits as guarantee for the appeal. As of June 30, 2005, the appeal is still pending, however, the Company has accrued the additional tax in the financial statements.

24) EARINGS PER SHARE

The earning per share for June 30, 2005 and 2004 was calculated based on the average outstanding common shocks of 1,135,862,000 and 1,139,380,000 shares, respectively.

25) SECURITIES BROKERAGE ACCOUNTS - NET

	June 30,	
	2005	2004
Debits:		
Cash in bank - settlement	$ 124,948	$ 26,099
Net exchange clearing receivable		
Accounts receivable	2,067,155	3,224,570
- customers' purchases	602,989	754,107
Accounts receivable - settlement	1,841,918	1,220,052
	4,637,010	5,224,828
Credits:		
Net exchange clearing receivable	(2,202,210)	(3,464,307)
Accounts payable		
- customers' sales	(1,797,181)	(1,332,917)
Accounts payable - settlement	(371,376)	(378,617)
	(4,370,767)	(5,175,841)
Securities brokerage accounts - net	$ 266,243	$ 48,987

26) BORROWED SECURITIES PAYABLE - NON-HEDGING / STOCK BORROWING MARGIN

OTC is the only broker for this transaction.

5. RELATED PARTY TRANSACTIONS

1) Names and relationship of related parties

Names of related parties	Relationship with the Company
President International Development Corp. (PIDC)	An institutional director of the Company
President Futures Corp. (PFC)	A majority owned subsidiary
President Capital Management Corp.	A majority owned subsidiary
President Securities (HK) Limited (PSHK)	A majority owned subsidiary
President Securities (BVI) Limited (PSBVI)	A majority owned subsidiary
President Securities Investment Trust Corp.	A majority owned subsidiary
President Futures (HK) Limited	An indirectly owned subsidiary
President Consulting Group Holding Limited (liquidated)	An indirectly owned subsidiary
(Note)	An indirectly owned subsidiary

Note: Formerly President securities (ASIA) Limited.

2) Significant related party transactions

A. Futures guarantee deposits receivable

	June 30,	
	2005	2004
PFC	$ 350,471	$ 360,134

The futures deposits are used for futures transactions.

B. Accounts receivable

	For the six-month periods ended, June 30,	
	2005	2004
PFC	$ 8,957	$ 26,690

PFC is the only broker for this transaction. Commission income was collected on a monthly basis.

C. Commission income - futures

	June 30,	
	2005	2004
PFC	$ 53,512	$ 84,512

Amounts are from commissions on futures tradings.

D. Endorsements and guarantees

a. The board of directors adopted a resolution to provide guarantee for the loan facility of $1,000,000 with Cathay Bank to subsidiaries, PSHK and PSBVI, for business expansion purposes. The endorsement expired on March 21, 2005 and was unutilized.

b. For details of endorsements and guarantees for provided to related parties, please refer to Note 11.

6. The book values of assets pledged or restricted for usage are as follows:

Assets items	June 30, 2005	June 30, 2004	Purpose
Trading securities (par value)			
-Secured bonds	$ 300,000	$ -	Securities for bonds sold with repurchase agreements
-Government bonds	5,483,970	2,140,000	Securities for bonds sold with repurchase agreements
-Financial bonds	500,000	1,250,000	Securities for bonds sold with repurchase agreements
Restricted assets			
-Demand deposits	2,760	2,341	Collections on behalf of third parties and reimbursement for wages
	95,000	100,000	Compensation for short-term loans
-Pledged time deposits	1,476,000	1,635,000	Securities for short-term loans
Long-term investment			
-Government bonds (par value)	2,249,838	3,453,272	Securities for issuance of bonds
Fixed Assets			
-Land and buildings (book value)	1,496,965	1,513,533	Securities for short-term loans and guarantees for issuance of commercial paper
Other assets			
-Business security deposits	680,000	680,000	Security deposits
-Exchange clearing deposits	50,000	50,000	Security deposits
-Deposits-out	74,000	104,000	Guarantee for income tax assessment
	260,000	380,000	Guarantee for warrants
	1,900	3,900	Guarantee for detain of default customers' properties
Idle assets / Leased assets			
- Land and buildings (book value)	39,990	40,232	Securities for short-term loans and guarantees for issuance of commercial paper

7. SIGNIFICANT COMMITMENTS AND CONTINGENT LIABILITIES

1) The Company has entered into various operating lease agreements and the future minimum rental commitments are as follows:

Period		Amount
2005 (July ~ December)	$	39,958
2006		68,881
2007		40,693
2008		27,464
After 2009		19,135
	$	196,131

2) The Company has filed a lawsuit, against a former employee, who was accused of selling the client's stocks illegally.

3) For guarantees provided to the income tax administrative appeal, please refer to note 4 (23).

4) The Company’s endorsements and guarantees for subsidiaries, please refer to note 11.

8. SIGNIFICANT LOSS FROM NATURAL DISASTER:

NONE

9. SIGNIFICANT SUBSEQUENT EVENTS:

NONE

10. OTHER EVENTS

1) Fair value of financial instrument

	June 30, 2005		June 30, 2004	
	Carrying value	Fair value	Carrying value	Fair value
Financial Assets				
Financial assets with the same carrying value and fair value	$ 20,237,959	$ 20,237,959	$ 22,668,129	$ 22,668,129
Short - term investments	119,668	119,668	154,393	154,575
Trading securities	20,427,798	20,417,741	6,975,067	6,987,753
Prepaid pension	34,146	(52,514)	33,593	62,507
Long - term investments in equity securities	3,152,857	3,209,468	3,369,769	3,127,656
Long - term investments in bonds	2,249,838	2,250,061	3,453,272	3,374,854
Operating guarantee deposits	680,000	680,000	680,000	680,000
Exchange clearing deposits	323,257	323,257	326,006	326,006
Deposits - out	371,259	369,155	516,578	514,278
Financial assets with speculative purpose				
Futures guarantee deposits receivable	350,471	350,471	360,134	360,134
Put option - futures	1,728	1,728	2,121	2,121
Interest rate swap contract	206,454	206,454	16,817	16,817
Put option - bond options	4	4	-	-
Equity linked notes - options	9,881	8,655	-	-
Asset swap options	(173)	(173)	-	-
Asset swap options - IRS contract	(1,219)	(1,219)	-	-
Financial assets with hedging purpose				
Interest rate swap contract	(193)	(193)	1,178	1,178
	$ 48,163,735	$ 48,120,522	$ 38,557,057	$ 38,276,008
Financial Liabilities				
Financial liabilities with the same carrying value and fair value	$ 28,048,859	$ 28,048,859	$ 19,056,036	$ 19,056,036
Bonds investment under resale agreements - securities financing	5,551,285	5,529,707	-	-
Financial liabilities with speculative purpose				
Liabilities of issuing warrants	36,141	36,141	305,738	305,738
Call options - future	3,943	3,943	3,070	3,070
Interest rate swap contract	3,085	3,085	-	-
Call option - bound option	196	196	-	-
Equity - linked note - fixed income	184,574	184,574	-	-
Equity - linked note - premium	14,513	14,513	-	-
Principle guaranteed note				
- fixed income	11,220	11,220	-	-
-option	282	282	-	-
Asset swap options	4,538	4,538	-	-
	$ 33,858,636	$ 33,837,058	$ 19,364,844	$ 19,364,844

The following methods and assumptions were used to estimate the fair value of each class of financial instruments:

(1) For short-term instruments, the fair values were determined based on their carrying values because of the short maturities of the instruments. This method was applied to Cash and cash equivalents, Bonds purchased under resale agreements, Margin loans receivable, Refinancing guarantee deposits, Receivable on refinancing guarantee, Notes receivable, Accounts receivable, Other receivables, Restricted assets, Securities brokerage debit accounts-net, short - term loans, Commercial paper payable, Bonds sold under repurchase agreements, Deposit on short sales, Short sale proceeds payable, Accounts payable, Collections for third parties, Other payables, Long-term liabilities, and Deposits - in.

(2) For securities purchased and underwritten, the fair values were determined based on quoted market prices as of balance sheet date except that emerging stocks, unlisted stocks and delisted stocks were based on cost.

(3) The fair value of the long-term investments in equity securities was based on the audited net value per unit of the investee company as of the balance sheet date.

(4) The fair value of the Deposits-out was based on present value of expected cash flow amount. The discount rate was the one-year deposit rate of Directorate General of Postal Remittances and Savings Bank.

(5) The fair values of the Operating guarantee deposits and Exchange clearing deposits of the balance sheet date were valued at book value, as they primarily consisted of time deposits pledged.

(6) Please refer to note 4 (12) for the fair values of the warrants.

(7) The fair values of derivative financial instruments were determined based upon the amounts to be received or paid assuming that if the contracts were settled as of the reporting date, which include unrealized gains or losses on unsettled contracts.

(8) The fair values of accrued pension liabilities / prepaid pension expenses as of June 30, 2005 and 2004 were based on the funded status of the actuarial valuation as of December 31, 2004 and 2003, respectively.

2) Derivative Financial Instrument

(1) Warrants

A. Please see note 4 (12) for detailed information.

B. Purpose：to earn a reasonable profit under controlled risk.

C. Nature and terms：

a) Credit risk：

The Company has received the proceeds in full for the warrants issued; therefore, there is no credit risk.

b) Market risk：

The Company adopts the following hedging principles to minimize the market risk：

a. Delta principle：

Acquiring the underlying securities as basic position and adjusting the number of shares based on the dynamic hedging model on an on-going basis.

b. Gamma principle：

Purchasing warrants issued by others with same underlying securities to offset the risks caused by the fluctuations.

D. Issuing terms and loss or gain on trading of securities: please refer to note 4 (12).

(2) Trading of futures

A. Nominal principal or contract amount and credit risk

Financial instrument	June 30, 2005 Nominal principal/ Contract amount	June 30, 2005 Credit risk	June 30, 2004 Nominal principal/ Contract amount	June 30, 2004 Credit risk
For trading purpose				
Sell options				
TXO	$ 4,020	$ -	$ 841,000	$ -
TEO	270	-	-	-
TFO	160	-	-	-
Buy options				
TXO	1,738	-	75,200	-
Call - TX	2,386	-	51,857.00	-
Put - TX	91,811	-	2,500.00	-
Call -GBF	17,610	-	2,550	-
Put - CPF	9,958	-	1,808.00	-
Call - TE	47,499	-	38,645.00	-
Buy - TF	216,831	-	-	-
For hedging purpose				
Call-TX	1,257	-	-	-
	$ 393,540	$ -	$ 1,013,560	$ -

The credit risk is low because the tradings are done through the stock exchanges and with clients of good credit rating.

B. Market risk

The Company sets limits to control the transaction volume and stop-loss amount of derivatives so as to lower its market risk adequately.

C. Liquidity risk and cash flow risk

The Company trades only products with high liquidity, so its liquidity risk is quite low. The Company may be called for margin due to the fluctuation of market. Thus, the amount and time of future cash flows are uncertain.

D. Types, purpose and strategy

The Company operates securities - related futures businesses concurrently. The stock index futures and stock index options transactions for trading purpose aim to increase the stability of profit by operating price-difference, combination orders and the correlation between future and spot price. The stock index futures transactions for hedging purpose are to hedge the market risk of exchange traded securities investment trust funds. The Company aims to mitigate the losses of potential market fluctuations to a minimum. The financial instruments held or issued is negatively correlated to the fair value fluctuation of hedged products and the effectiveness of hedging is reviewed on a regular basis.

E. The presentation of derivatives of financial instruments

a) The list of deposits for trading futures:

	June 30, 2005	June 30, 2004
Futures guarantee deposits receivable	$ 350,471	$ 360,134
Excess guarantee deposits	$ 304,652	$ 318,944

b)

	For the six-month periods ended, June 30,	
	2005	2004
Gains (loss) on trading on futures	$ 26,048	($ 39,121)

c)

	For the six-month periods ended, June 30,	
	2005	2004
Gains on options	$ 9,187	$ 6,394

(3) The margin trading of bonds

A. Purpose: tradings for profit purpose and when the volume of margin tradings of bonds is low, the Company as a securities firm has an obligation to bid to facilitate tradings.

B. Face value or contract amount: Face values of bonds were $0 and $200,000 as of June 30, 2005 and 2004, respectively.

C. Nature and terms

a) Nature of trading

Tradings are conducted under the “Rules Governing the Trading of the Bonds with Repurchase or Resale Agreements”. The payment is based on the net balance due basis. The trading gain or loss for the Company is fixed on the settlement date and will not be affected by the subsequent change of market interest rates.

b) Credit risk and liquidity risk

For marginal trading accounts, the Company will make a margin call on the customers when the bonds’ market value falls below certain amount. On the due date of the bonds purchased under resale agreements and the customers default on their obligation due to falling bond value, the Company can sell the bonds in the market. Loss will be realized when the customers cannot pay the difference between the sales price and the contract price. The customers are required to pre-set a “stop loss” amount to limit their market risk.

The maximum risk of the Company was based on the assumption that interest rate is raised by 0.4%, and all of the customers default on their contracts. The Company estimates that the maximum risk on June 30, 2005 and 2004 were both $0.

c) Market risk

There is no market risk for the Company, because the ownership of the bonds belongs to the customers and gain or loss as a result of the fluctuation of market interest rate will be absorbed by the customers.

d) Cash flow risk

For marginal trading accounts, marginal deposits are required. In the event of unfavorable interest rate fluctuation, additional margin will be called for further cash deposits.

D. Fair value to book value

a) Book value

Book value of the bonds purchased with the resale agreements was $192,492 as of June 30, 2004.

b) Fair value

The settlement price of bonds purchased with resale agreements depends on the market interest rate. Accordingly, the fair value approximates the book value.

E. Net gain and loss

The gain and loss of “bonds sold” and “bonds purchased with resale agreements” is determined on the settlement date, and accordingly it will not be affected by subsequent change of market interest rate. The interest income on the bonds purchased with resale agreements for 2005 and 2004 were $9,780 and $22,649 as of June 30, 2005 and 2004, respectively.

(4) Interest rate swap

A. Nominal principal or contract amount and credit risk

	June 30, 2005		June 30, 2004	
Financial instrument	Nominal principal/ Contract amount	Credit risk	Nominal principal/ Contract amount	Credit risk
For hedging purpose				
- Interest rate swap	$ 2,000,000	$ -	$ 3,000,000	$ -
For trading purpose				
- Interest rate swap	48,908,000	-	23,508,000	-
	$ 50,908,000	$ -	$ 26,508,000	$ -

The contracts entered with financial institutions are valid for 1 5 years without any anticipation of material credit risk, and the interest will be received and paid according to floating interest rate and fixed interest rate, respectively.

B. Market risk

The purpose of the interest rate swap is to hedge the interest rate risk of net asset; therefore, the market risk is offset.

C. Liquidity risk and cash flow risk

The contract is settled based on the fixed amount of interest to be paid or received, which is based on the nominal principal times the difference of interest rates. The amounts are not material and there is no inflow or outflow of principal upon the settlement of contract; thus, there is no risk of raising additional material amount of capital.

D. Types, purpose and strategy

All "IRS" for trade purpose, which are profited by the Company's prediction of interest trend. The Company uses IRS to hedge the risk resulted from the risk of floating rate from the corporate bond issued. The financial instrument held or issued is negatively correlated to the fair value fluctuation of hedge products and the effectiveness of hedging is reviewed on a regular basis.

(5) Convertible bond asset swap

A. Nominal principal or contract amount and credit risk

	June 30, 2005		June 30, 2004	
Financial instrument	Nominal principal/ Contract amount	Credit risk	Nominal principal/ Contract amount	Credit risk
For hedging purpose				
Convertible bond asset swap-sell options	$ 4,538	$ -	$ -	$ -

As of June 30, 2004, the Company has allow credit risk because all the option sold had been realized. The Company had assigned various credit lines according to risk levels and calculated the related premiums. As the premiums had been collected by the Company, the credit risk is within a manage level.

B. Market risk

The option holder has a right of purchasing the convertible bond within certain period of time at prearranged price. Because the Company is already in possession of such convertible bond, there is no major risk in existence.

C. Liquidity risk and cash flow risk

The Company detaches the option from the convertible bond and sells it to the market while holding the bonds concurrently; therefore, there is no risk of raising additional capital or risks of cash flow and capital needs.

D. Types, purpose and strategy

The Company sells the convertible bond asset swap option to earn the premium revenue. The counter parties have the right to buy the convertible bond with exercised price in a certain period.

(6) When-issued trading

As of June 30, 2005 and 2004, the all when-issued trading contracts were settled. The gain on the when-issued trading of $14,050 and $112,156 for the six - month periods ended, June 30, 2005 and 2004, respectively, were recorded as “Gain on derivative financial instruments - OTC”.

(7) Structured notes

A. Nominal principal or contract amount and credit risk

	June 30, 2005	
Financial instrument	Nominal principal/ contract amount	Credit risk
For trading purpose		
ELN	$ 185,966	$ -
PGN	11,500	-
	$ 197,466	$ -

There were no such transactions for the six – month periods ended, June 30, 2004.

As the contracted amounts were collected in full from the counterparties on trade date, the Company expects no material credit risks arising from these contracts.

B. Market risk

The proceeds collected on trade date from these structured notes were invested and utilized in accordance with the contracts entered into between the Company and the counterparties. Open market values and related rules are available for the equities linked to the ELN and the fixed income instruments invested for purposes of the PGN. As such, the Company expects no material market risks arising from these contracts.

C. Liquidity risk, cash flow and funding risks

All contracted amounts were collected in full from the counterparties on trade date. For the contracts with asset options, spot deals were entered on trade date as part of the Company’s strategy to hedge price fluctuations associated with these asset options. As such, the Company expects no material liquidity, cash flow and funding risks.

D. Types of financial derivatives, its purpose and strategy

The Company deals in equity linked products and combines fixed income instruments with call or put options. These products are categorized into ELN and PGN. On trade date, the contracted amounts were collected in full from the counterparties. The payout amount on maturity will depend on the price fluctuation of the instruments linked to these contracts.

The return on the ELN is the difference between the value of the fixed income instrument and the exercise value of the equity option on maturity date. The repayment from the PGN is the sum of the guaranteed portion of the contracted nominal value and the participation rate of the associated option's exercise value on maturity date.

Stop loss limits are also established by the Company for these contracts for risk management purposes.

(8) Bond option

A. Nominal principal or contract amount and credit risk

	June 30, 2005	
Financial instrument	Nominal principal/ contract amount	Credit risk
For trading purpose		
Buy Put	$ 100,000	$ -
Sell Call	200,000	-
Sell Put	200,000	-
	$ 500,000	$ -

There were no such transactions for the six – month periods ended, June 30, 2004.

As the option premiums were collected in full from the counterparties on trade date, the Company expects no material credit risks arising from these contracts.

B. Market Risk

Stop loss limits are established by the Company for these contracts for risk management purposes. As such, the Company expects no material market risks arising from these contracts.

C. Liquidity Risk, Cash Flow and Funding Risks

The Company enters into bond options for trading purposes. On settlement date, interests are received from or paid to counterparties or physical instruments delivered. As such, the Company expects no material liquidity, cash flow and funding risks.

D Types of financial derivatives, its purpose and strategy

The Company enters into bond options for trading purposes. Option premiums are paid to or received from counterparties on contract date. On settlement date, interests are received from or paid to counterparties or physical instruments delivered. The Company will take advantage of price arbitrage arising from interest rate fluctuations.

(9) The presentation of derivatives of financial instruments-OTC

A. Details of derivatives of financial instruments - OTC in balance sheet:

Financial instrument	June 30, 2005 Asset of dericatives of financial instruments - OTC	June 30, 2005 Liabilities of derivatives of financial instruments - OTC
Interest swap contract value - non - hedging	$ 206,454	$ 3,085
Interest swap contract value - hedging	(193)	-
Asset swap IRS contract value	(1,219)	-
Asset swap option - evaluation	(173)	4,538
ELN - Options	9,881	-
ELN - Premium	-	14,513
ELN - fixed income investment	-	184,574
Bond option - non - hedging	4	196
PGN - Options	-	282
PGN Liabihities - fixed income	-	11,220
	$ 214,754	218,408

Financial instrument	Asset of dericatives of financial instruments - OTC	Liabilities of derivatives of financial instruments - OTC
Interest swap contract value - non - hedging	$ 17,995	$ -

B. Details of derivatives of financial instruments - OTC in income statement for the six - month periods ended June 30:

	2005	
Financial instrument	Gains (losses) on derivative financial instruments - OTC	Unrealized gains (losses)
Interest swap contract value - non - hedging	($ 18,112)	($ 15,622)
Interest swap contract value - hedging	(11,571)	(11,571)
Asset swap IRS contract value	(1,356)	(1,356)
Asset swap option	205	205
When-issued trading	(14,050)	-
ELN	(1,565)	(3,265)
PGN	5,331	4,975
Bond option - non - hedging	(4,647)	(359)
	($ 45,765)	($ 26,993)

	2004	
Financial instrument	Gains (losses) on derivative financial instruments - OTC	Unrealized gains (losses)
Interest swap contract value - non - hedging	($ 24,229)	($ 16,817)
Interest swap contract value - hedging	30,809	1,178
Asset swap option	(31,645)	(30,423)
When-issued trading	112,156	-
	$ 87,091	($ 46,062)

(1) For short-term instruments, the fair values were determined based on their carrying values because of the short maturities of the instruments. This method was applied to cash and cash equivalents, bonds purchased under resale agreements, margin loans receivable, refinancing guarantee deposits, receivable on refinancing guarantee, receivable-future deposits, notes receivable, accounts receivable, other receivable, restricted assets, overdue accounts, securities brokerage debit accounts-net, short-term loans, commercial paper payable, bonds sold under repurchase agreements, deposit on short sales, short sale proceeds payable, accounts payable, collections for third parties, other payable, income tax payable, long-term loans, deposits-in, and securities brokerage credit accounts- net.

(2) For securities purchased and underwritten, the fair values were determined based on quoted market prices as of balance sheet date except that emerging stocks, unlisted stocks and de-listed stocks were based on cost.

(3) The fair value of the long-term investments in equity securities was based on the audited net value per unit of the investee company as of the balance sheet date.

(4) The fair value of the deposits-out was based on the present value of expected cash flow amount. The discount rate was the one-year deposit rate of the Directorate General of Postal Remittances and Savings Bank.

(5) The fair values of the operating guarantee deposits and exchange clearing deposits of balance sheet date were valued at book value, as they primarily consisted of time deposits pledged.

(6) Please refer to note 4.(11) for the fair values of the warrants.

(7) The fair values of derivative financial instruments were determined based upon the amounts to be received or paid assuming that the contracts were settled as of the reporting date, which include unrealized gains or losses on unsettled contracts.

(8) The fair values of accrued pension liabilities as of June 30, 2004 and 2003, were based on the funded status of the actuarial valuation as of December 31, 2003 and 2002 respectively.

11. OTHER DISCLOSURE ITEMS

A. Information about significant transactions

1) Lending to others: None.

2) Endorsements and guarantees for others：

No.	Endorser	Endorsee Name	Endorsee Relationship	Limitation on guarantee for a single company	Maximum endorsement balance	Ending balance	Amount secured by property	Percentage of the amount in the Company's value	Limitation of total guarantee amount
0	President Securities Corp.	President Securities (BVI) Limited	The Company's subsidary	20% of the Company's value maximum $3,224,822	$ -	$ -	None	—	20% of the Company's value maximum $3,224,822
		President Securities (HK) Limited	The Company's subsidary	20% of the Company's value maximum $3,224,822	-	-	None	—	20% of the Company's value maximum $3,224,822

3) Acquisitions of real estate exceeding $100,000,000 or 20 percent of contributed capital：None.

4) Disposals of real estate exceeding $100,000,000 or 20 percent of contributed capital：None.

5) Purchases or sales transactions discount on broker’s charges with related parties in excess of $5,000,000：None.

6) Receivables from related parties exceeding $100,000,000 or 20 percent of contributed capital：None.

7) Securities of President Futures Corp. as of June 30, 2005：

Holding company	Types and names of security: Type	Types and names of security: Name	Relationship with the security issuer	General ledger account	Number of shares	Book value	Ratio	Fair value	Notes
President Futures Corp.	Benificiary Certificates	Prudential bond funds	-	Short-term investments	1,047,186	$ 15,000	-	$ 15,000	
	"	Cathay bond funds	-	"	883,994	10,000	-	10,000	
	"	Transcend bond funds	-	"	838,097	10,000	-	10,000	
	"	Fuh-hwa bond funds	-	"	765,486	10,000	-	10,000	
	"	Taishin bond funds	-	"	200,000	2,000	-	1,986	
	"	Capital bond funds	-	"	1,000,000	10,000	-	9,917	
	"	AIG flagship blobal conservative fund of funds	-	"	500,000	5,000	-	5,000	
President Futures Corp.	Stock	Taiwan International Mercantile Exchange Co., Ltd.	-	Long-term investments	3,040,000	30,400	1.52%	69,312	

b. Disclosure required by Ministry of Finance, Ruling of No. 0920004507 dated June 30, 2005：

(a) Securities held as of June 30, 2005 of President Securities (BVI) Ltd.：

Expressed in U.S. Dollars

Securities types and name	Type	Number of shares	Carrying value Unit price	Carrying value Amount	Fair value Unit price	Fair value Amount	Note
Short-term investment - stock							
Trading：							
IST	ECB	1,400,000	$ 1.0000	$ 1,400,000	$ 0.9000	$ 1,260,000	
MLC	ECB	2,500,000	0.9954	2,488,428	0.9350	2,337,500	
ENFIELD	ECB	3,550,000	1.0092	3,582,500	1.0000	3,550,000	
UNEEC	ECB	1,000,000	1.0200	1,010,000	1.0000	1,000,000	
ABIT 09	ECB	1,350,000	1.0000	1,350,000	0.2136	288,360	
ICHIA	ECB	1,500,000	1.0100	1,515,000	0.9750	1,462,500	
HANPIN	ECB	650,000	1.0200	663,000	1.0000	650,000	
NTC	ECB	7,300,000	1.0443	7,623,402	0.9895	7,223,277	
Coretronic	ECB	2,360,000	1.0000	2,360,000	1.0242	2,417,041	
ProMOS 10	ECB	3,000,000	1.0000	3,000,000	1.0438	3,131,250	
MLC	STOCK	740,166	1.6008	1,184,841	1.4096	1,043,313	
L & K	STOCK	888,867	2.2357	1,987,232	2.6101	2,320,008	
FREMONT NIM	CP	3,490,000	-	1,958,328	-	1,958,328	
LBAHC	CP	6,000,000	-	3,338,225	-	3,338,225	
SASNM	CP	5,000,000	-	3,873,454	-	3,873,454	
SARM	CP	1,669,000	-	1,573,730	-	1,573,730	
SASNM	CP	3,630,000	-	3,012,759	-	3,012,759	
BENQ NOTE SERIS 10	FUND	492,024	10.1600	5,000,000	10.4006	5,117,348	
Total				46,920,899		$ 45,557,093	
Minus：Allowance for decline				(1,363,806)			
				$ 45,557,093			
Hedging：							
HIB	STOCK	400,000	$ 0.6788	$ 271,527	$ 0.5971	$ 238,843	
TSMC	STOCK	929,647	1.7105	1,590,127	1.7316	1,609,792	
Total				1,861,654		$ 1,848,635	
Minus：Allowance for decline				(13,019)			
				$ 1,848,635			
Long-term investment - stock							
President Securities (HK) Ltd.	STOCK	182,600,000	$ 0.1415	$ 25,839,845	$ 0.1415	$ 25,839,845	
President Futures (HK) Ltd.	STOCK	10,000,000	0.1085	1,084,667	0.1085	1,084,667	
President Securities (NOMINEE) Ltd.	STOCK	999,999	0.1144	114,430	0.1144	114,430	
				$ 27,038,942		$ 27,038,942	