PRESIDENT SECURITIES CORPORATION

NON-CONSOLIDATED FINANCIAL STATEMENTS

AND REPORT OF INDEPENDENT ACCOUNTANTS

JUNE 30, 2006 AND 2005

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

Report of Independent Accountants

PWCR06000132

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, 2006 and 2005, and the related non-consolidated statements of income, of changes in stockholders' equity and of cash flows for the six-month periods 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.

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 statement presentation. We believe that our audits provide a reasonable basis for our opinion

In our opinion, 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, 2006 and 2005, 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 21, 2006
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
NON-CONSOLIDATED BALANCE SHEETS
JUNE 30
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	2006		2005	
	Amount	%	Amount	%
ASSETS				
Current Assets				
Cash and cash equivalents	$ 343,348	1	$ 505,066	1
Financial assets at fair value through profit or loss-current (Notes 4 (1), 5, 6 and 10)	20,946,367	33	21,114,420	42
Bonds purchased under resale agreements (Notes 4 (3) and 10)	6,893,977	11	5,981,733	12
Margin loans receivable (Note 4 (4))	13,493,753	21	11,297,241	23
Receivable on refinance guaranty	825	-	25,032	-
Stock borrowing margin	3,194,000	5	-	-
Notes receivable	16,608	-	2,635	-
Accounts receivable-net (Note 4(6))	6,182,421	10	92,458	-
Prepayments	14,547	-	15,092	-
Prepaid pension expenses	37,489	-	34,146	-
Other receivables	329,790	1	499,192	1
Other financial assets (Note 10)	-	-	5,146	-
Restricted assets (Note 6)	1,834,931	3	1,573,760	3
Deferred tax assets - current (Note 4 (23))	54,428	-	136,984	-
	53,342,484	85	41,282,905	82
Funds and Investments				
Equity investments-equity method (Note 4 (5))	2,922,225	5	2,902,443	6
Available-for-sale financial assets (Note 4 (2))	141,845	-	250,414	1
Financial assets at fair value through profit or loss-non-current (Notes 4 (1) and 6)	2,245,576	3	2,249,838	4
	5,309,646	8	5,402,695	11
Fixed Assets (Note 6)				
Land	1,489,779	2	1,082,370	2
Buildings	935,587	2	703,712	2
Equipment	556,825	1	559,736	1
Leasehold improvements	49,821	-	75,041	-
Less: Accumulated depreciation	(663,679)	(1)	(627,764)	(1)
	2,368,333	4	1,793,095	4
Other Assets				
Operating guarantee deposits (Note 6)	680,000	1	680,000	1
Exchange clearing deposits (Note 6)	328,117	-	323,257	1
Deposits-out (Note 6)	508,975	1	371,259	1
Deferred assets	9,582	-	12,443	-
Rental assets (Note 6)	467,911	1	39,990	-
Deferred tax assets-non-current (Note 4 (23))	46,298	-	46,994	-
	2,040,883	3	1,473,943	3
Securities Brokerage Debit Accounts-Net (Note 4 (25))	121,593	-	266,243	-
TOTAL ASSETS	$ 63,182,939	100	$ 50,218,881	100

	2006		2005	
	Amount	%	Amount	%
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current Liabilities				
Short-term loans (Note 4 (7))	$ 5,565,000	9	$ 5,267,000	11
Commercial paper payable (Note 4 (8))	4,896,482	8	5,416,415	11
Bonds sold under repurchase agreements (Notes 4 (9), 6 and 10)	24,289,672	38	9,738,004	19
Financial liabilities at fair value through profit or loss (Notes 4 (10) and 10)	4,180,288	7	5,599,470	11
Deposits on short sales	1,103,006	2	1,244,937	3
Short sale proceeds payable	1,375,182	2	1,635,268	3
Accounts payable	78,346	-	94,866	-
Advance receipts	731	-	1,735	-
Collections on behalf of third parties	167,960	-	130,430	-
Other payables (Note 4 (11 and 23))	2,360,940	4	2,519,641	5
Other financial liabilities (Note 12)	102,297	-	210,308	-
	44,119,904	70	31,858,074	63
Long-term Liability				
Bonds payable (Notes 4 (13) and 10)	2,000,000	3	2,000,000	4
Other Liabilities				
Reserve for default (Note 4 (15))	200,000	-	200,000	1
Reserve for trading loss (Note 4 (16))	-	-	34,401	-
Deposits-in	3,061	-	2,297	-
	203,061	-	236,698	1
Total Liabilities	46,322,965	73	34,094,772	68
SHAREHOLDERS' EQUITY				
Common stock (Note 4 (17))	11,370,720	18	11,404,990	23
Additional paid-in capital (Note 4 (18))				
Common stock	13,901	-	13,943	-
Treasury stock	33,101	-	45,047	-
Donated assets	-	-	-	-
Retained earnings				
Legal reserve (Note 4 (19))	1,569,649	3	1,467,036	3
Special reserve (Note 4 (20))	3,154,227	5	3,000,142	6
Unappropriated earnings (Note 4 (21)	822,387	1	329,448	-
Cumulative translation adjustments	(36,913)	-	(70,050)	-
Treasury stock (Note 4 (22))	(66,447)	-	(66,447)	-
Unrealized loss on financial instruments (Note 10)	(651)	-	-	-
Total Shareholders' Equity	16,859,974	27	16,124,109	32
Commitments (Notes 5 and 7)				
Subsequent Events (Note 9)				
Other Disclosure Items (Note 11)				
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 63,182,939	100	$ 50,218,881	100

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

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)

	2006		2005	
	Amount	%	Amount	%
Revenues				
Securities brokerage fees	$ 1,026,903	38	$ 650,669	35
Underwriting fees	31,666	1	11,017	-
Gain on trading of securities (Note 4 (27))	379,935	14	343,972	19
Stock custodian income	46,385	2	44,570	2
Interest income (Note 10)	533,846	20	470,706	26
Dividend income	9,894	-	32,235	2
Gain on increase in value of securities	29,558	1	-	-
Gain from short covering and trading securities-RS financing covering	106,179	4	-	-
Gain on warrants issuance	73,891	3	85,220	5
Commissions on futures (Note 5)	53,354	2	53,512	3
Gain on derivative financial instruments-FUTURES (Note 10)	799	-	35,235	2
Gain on derivative financial instruments-OTC (Note 10)	195,795	7	-	-
Other operating income	66,732	3	2,316	-
Non-operating income (Note 10)	142,876	5	107,905	6
	2,697,813	100	1,837,357	100
Expenses				
Handling charges-broking	(74,971)	(3)	(45,249)	(3)
Handling charges-dealing	(17,508)	(1)	(13,545)	(1)
Service charges-refinancing	(776)	-	(866)	-
Interest expense (Note 10)	(97,352)	(3)	(40,367)	(2)
Losses on covering of borrowed securities and bonds with resale agreements	-	-	(15,657)	(1)
Valuation loss on borrowed securities and bonds with resale agreements	(5,970)	-	-	-
Loss on valuation of operating securities	-	-	(5,595)	-
Warrants issuance expenses	(504)	-	(824)	-
Clearing charges	(6,881)	-	(5,748)	-
Loss on derivative financial instruments-OTC (Note 10)	-	-	(45,765)	(3)
Loss from structured products	(733)	-	-	-
Operating expenses (Note 4 (26))	(1,343,486)	(50)	(1,089,683)	(59)
Other operating expenses	(1,496)	-	(709)	-
Non-operating expenses	(157,670)	(6)	(73,021)	(4)
	(1,707,347)	(63)	(1,337,029)	(73)
Income before income tax	990,466	37	500,328	27
Income tax expense (Note 4(23))	(199,963)	(8)	(181,377)	(10)
Income before cumulative effect of changes in accounting principles	790,503	29	318,951	17
Cumulative effect of changes in accounting principles (Note 3)	5,216	-	-	-
Net income	$ 795,719	29	$ 318,951	17

	Before income tax	After income tax	Before income tax	After income tax
Basic earnings per share (Note 4 (24)) (in NT Dollars)				
Income from operations	$ 0.87	$ 0.69	$ 0.44	$ 0.28
Cumulative effect of changes in accounting principles	0.01	0.01	-	-
Net income	$ 0.88	$ 0.70	$ 0.44	$ 0.28

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

PRESIDENT SECURITIES CORPORATION
NON-CONSOLIDATED 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	Unrealized Loss on Market Value Decline of Long-term Equity Investments	Total
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:									
Legal reserve	-	-	137,133	-	(137,133)	-	-	-	-
Special reserve	-	-	-	340,337	(340,337)	-	-	-	-
Cash bonus to employees	-	-	-	-	(20,804)	-	-	-	(20,804)
Remuneration to directors and supervisor	-	-	-	-	(31,206)	-	-	-	(31,206)
Cash dividends	-	-	-	-	(988,200)	-	-	-	(988,200)
Net income for the period	-	-	-	-	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
Balance at January 1, 2006	$ 11,404,990	$ 58,990	$ 1,467,036	$ 3,000,142	$ 1,036,622	($ 14,930)	($ 66,447)	$ -	$ 16,886,403
Appropriations of 2005 earnings:									
Legal reserve	-	-	102,613	-	(102,613)	-	-	-	-
Special reserve	-	-	-	154,085	(154,085)	-	-	-	-
Cash bonus to employees	-	-	-	-	(15,065)	-	-	-	(15,065)
Remuneration to directors and supervisor	-	-	-	-	(22,598)	-	-	-	(22,598)
Cash dividends	-	-	-	-	(715,593)	-	-	-	(715,593)
Net income for the period	-	-	-	-	795,719	-	-	-	795,719
Unrealized loss on hedged cash flow	-	-	-	-	-	-	-	(651)	(651)
Cumulative translation adjustments	-	-	-	-	-	(21,983)	-	-	(21,983)
Purchase of treasury stock	-	-	-	-	-	-	(46,258)	-	(46,258)
Cancellation of treasury stock	(34,270)	(11,988)	-	-	-	-	46,258	-	-
Balance at June 30, 2006	$ 11,370,720	$ 47,002	$ 1,569,649	$ 3,154,227	$ 822,387	($ 36,913)	($ 66,447)	($ 651)	$ 16,859,974

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

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

	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES：		
Net income	$ 795,719	$ 318,951
Adjustments to reconcile net income to net cash provided by (used in) operating activities		
Depreciation (leased assets included)	42,649	46,832
Amortization	1,430	1,431
Loss on decline in value of open-ended funds and money-market instruments	22,176	352
Loss on decline in value of securities	(29,558)	5,595
Provision for bad debts	821	-
Write off of bad debts	(637)	(867)
(Gain) loss on long-term investment accounted for under the equity method	(48,515)	12,818
Impairment loss on long-term investment accounted for under the equity method	**19,039**	-
Loss on disposal of fixed assets	44	64
Gain on sale of available-for-sale financial assets	(25,184)	-
Proceeds from cash dividends - under the equity method	38,275	77,969
Gain on bonds redemption prior to maturity	-	(19,000)
Provision for reserve for trading loss	**(64,760)**	6,358
Change in balance sheet accounts		
Financial assets at fair value through profit or loss - current	869,463	(12,763,924)
Bonds purchased under resale agreements	(4,246,897)	(4,873,812)
Net cash funded from margin loans and short sales transactions	(1,457,341)	1,299,888
Stock borrowing margin	12,705	-
Notes receivable	(12,949)	3,308
Accounts receivable	(5,227,995)	(32,597)
Prepayments	5,905	5,993
Prepaid pension expenses	(3,809)	3,189
Other receivables	12,304	(64,861)
Deferred tax assets	8,517	(64,021)
Bonds sold under repurchase agreements	12,918,129	4,652,893
Accounts payable	3,548,193	5,275,287
Advance receipts	(356,454)	8,136
Collections on behalf of third parties	731	(22)
Other payables	(74,499)	55,687
Income tax payable	(35,573)	6,602
Other financial assets - current	140,688	34,525
Other financial liabilities	11,189	(3,147)
Financial liabilities at fair value through profit or loss - current	102,297	210,308
Net cash provided by (used in) operating activities	6,939,421	(5,796,065)

(Continued)

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

	2006	2005
CASH FLOWS FROM INVESTING ACTIVITIES:		
Decrease in refinance guarantee deposits	18,480	18,480
Decrease in receivable from refinance guaranty	22,481	8,300
Increase in stock borrowing margin	(3,188,918)	-
Decrease in restricted assets	73,265	189,646
Proceeds from disposal of available-for-sale financial assets	140,848	-
Available-for-sale financial assets	(7,095)	-
Acquisition of fixed assets	(19,102)	(7,583)
Proceeds from disposal of fixed assets	20	-
Increase in exchange clearing deposits	(4,860)	(2,374)
(Increase) decrease in deposits-out	(41,857)	54,204
Net cash (used in) provided by investing activities	(3,006,738)	260,673
CASH FLOWS FROM FINANCING ACTIVITIES:		
(Decrease) increase in short-term loans	(1,442,000)	2,549,000
(Decrease) increase in commercial paper payable	(2,489,568)	3,892,939
Bonds payable prior to maturity	-	(481,000)
Increase (decrease) in deposits-in	1,472	(1,771)
Purchase of treasury stock	(46,258)	-
Net cash (used in) provided by financing activities	(3,976,354)	5,959,168
Net (decrease) increase in cash and cash equivalents	(16,989)	423,776
Cash and cash equivalents beginning balance	360,337	81,290
Cash and cash equivalents ending balance	$ 343,348	$ 505,066
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid for interest	$ 199,901	$ 96,449
Cash paid for income tax	$ 35,793	$ 203,114

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

PRESIDENT SECURITIES CORPORATION

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2006 AND 2005

(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, 2006, the Company had 35 operating branches with 1,400 employees.

The Company is primarily engaged in the underwriting, dealing, broking, and financing 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 "Rules Governing the Preparation of Financial Reports of Securities Firms", "Rules Governing the Preparation of Financial Reports by Futures Commission Merchants" and generally accepted accounting principles in the Republic of China. A summary of the Company's significant accounting policies is described below:

1) Cash and Cash Equivalents

Cash and Cash Equivalents include cash on hand and in banks and other short-term highly-liquid investments which are readily convertible to a known amount of cash and which are subject to insignificant risk of changes in value resulting from fluctuations in interest rates.

2) Financial assets and financial liabilities at fair value through profit or loss

A. Financial assets and financial liabilities at fair value through profit or loss are recognized and derecognized using trade date accounting and are recognized initially at fair value. The account is divided into current and noncurrent. Noncurrent assets or liabilities are recorded as "Financial assets or financial liabilities at fair value through profit or loss – noncurrent" under funds and investments or long-term liabilities.

B. These financial instruments are subsequently remeasured and stated at fair value, and the gain or loss is recognized in profit or loss. The fair value of listed stocks, OTC stocks, and closed-end mutual funds is based on the closing prices at the balance sheet date. The fair value of open-end mutual funds is based on the net asset value at the balance sheet date. The fair value of de-listed (TSE and OTC) stocks and emerging stocks are based on the cost at the balance sheet date when the Company has no ability to exercise significant influence.

C. Profit or loss on derivatives not qualifying for hedge accounting and fall within the definition of option trading is recognized at the fair value on the trading date. For non-option trading, it is recognized at a fair value of zero on the trading date.

D. Financial assets and liabilities designated at fair value through profit or loss are those meeting one of the following requirements:

A) the product is a mixed product;

B) the designation can significantly eliminate the inconsistency in measurement or recognition; or

C) the position is mutually managed in accordance with the risk management or investment strategies of the Company and is designated for the purpose of fair value evaluation.

E. For accounting policies before December 31, 2005, please refer to Note 3.

3) Hedged derivative financial instruments

Profit or loss on derivatives qualifying for hedge accounting is eliminated with that of the hedged target. The following are the accounting treatments:

A. Fair value hedges: Changes in the fair value of derivatives designated and qualified as fair value hedges are recognized in profit or loss. Changes in the fair value of the hedged asset or liability attributable to the hedged item are recognized in profit or loss and as an adjustment to the carrying amount of the hedged item.

~~(B)~~B. Cash flow hedges: Gain or loss on a hedging instrument is recorded as an adjustment item to the stockholders' equity. The following are the information in detail:

A) The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in equity. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss.

~~b.~~B) If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gains or losses that were recognized directly in equity are transferred to profit or loss in the same period or periods when the hedged item affects profit or loss.

C. Foreign operation net investment hedge:

Hedges of net investment in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognized in equity; the gain or loss relating to the ineffective portion is recognized immediately in profit or loss. Gains and losses accumulated in equity are recognized in profit or loss when the foreign operation is disposed.

4) Available-for-sale financial assets

A. Available-for-sale financial assets are recognized and derecognized using trade date accounting. Individual asset is recognized initially at its fair value plus transaction costs that are directly attributable to the acquisition of the financial asset.

B. The financial assets are remeasured and stated at fair value or fundamental value derived from model evaluation and the gain or loss is recognized in equity. The fair value of listed stocks, OTC stocks, closed-end mutual funds, and certificates of beneficiary are determined based on the closing prices at the balance sheet date. The fair value of open-end mutual funds is based on the net asset value at the balance sheet date. The fair value of de-listed (TSE and OTC) stocks and emerging stocks are based on the cost at the balance sheet date when the Company has no ability to exert significant influence.

C. If there is any objective evidence that the financial asset is impaired, the cumulative loss that had been recognized directly in equity shall be removed from equity and recognized in profit or loss. Impairment losses recognized previously in profit or loss for an investment in an equity instrument shall not be reversed through profit or loss, and if, subsequently, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss shall be reversed, with the amount of the reversal recognized in profit or loss.

D. The accounting policies before December 31, 2005 are described in Note 3.

5) Allowance for doubtful accounts

The allowance for doubtful accounts is provided based on the management's assessment of the collectibility of margin loans receivable, receivable on refinance guaranty, notes receivable, accounts receivable, other receivables, and overdue accounts.

6) 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 period of the transactions.

7) Investments accounted for under the equity method

A. Long-term equity investments in which the Company holds more than 20% of the investee company's voting shares or has the ability to exercise significant influence on the investee's operational decisions are accounted for under the equity method. The excess of the initial investment cost over the acquired net asset value of the investee attributable to goodwill is no longer amortized, effective January 1, 2006. Retroactive adjustment of the amount of goodwill amortized in previous year(s) is not required. The excess of acquired net asset value of investee over the initial investment cost is allocated proportionately and applied as a reduction to the book values of identifiable non-current assets, and any remaining amount of such excess after this allocation is credited to Extraordinary gains. However, negative goodwill that occurred prior to December 31, 2005 is continuously amortized.

B. Exchange differences arising from the translation of the financial statements of overseas investee companies accounted for under the equity method are recorded as "cumulative translation adjustments" under stockholders' equity.

C. For accounting policies before December 31, 2005, please refer to Note 3.

8) Fixed assets and rental assets

A. Fixed and rental assets are stated at cost. Interest incurred 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 on the residual value over the remaining useful lives. The estimated useful lives of major fixed assets range from 3 to 5 years, except for buildings which is 50 years.

B. Major renewals and improvements are capitalized and depreciated accordingly. Maintenance and repairs are expensed when incurred.

C. 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 operations.

D. Fixed assets 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.

9) Intangible assets

Intangible assets consist of business rights which are stated at cost and amortized over the estimated life of the asset using the straight-line method.

10) Impairment of non-financial assets

The Company recognizes impairment loss when there is indication that the recoverable amount of an asset is less than its carrying amount. The recoverable amount is the higher of the fair value less costs to sell and value in use. The fair value less costs to sell is the amount obtainable from the sale of the asset in an arm's length transaction after deducting any direct incremental disposal cost. The value in use is the present value of estimated future cash flows to be derived from continuing use of the asset and from its disposal at the end of its useful life. In accordance with R.O.C. SFAS No. 35, when the impairment no longer exists, the impairment loss recognized in prior years shall be recovered. However, impairment loss of goodwill is not recoverable.

11) Bonds payable

The accounting policies for bonds payable issued before December 31, 2005 are as follows:

A. The premium or discount on bonds is amortized over the life of the bonds.

B. Significant differences between redemption and the book value are recognized as extraordinary gain or loss.

12) Pension plan

The Company has a non-contributory and funded defined benefit pension plan covering all regular employees. The Company recognizes the pension cost based on an actuarial valuation report. The pension cost includes service cost, interest cost, expected return on fund assets, amortization of unrecognized net transition obligation and unrecognized pension loss. Effective July 1, 2005, the Company also established a funded defined contribution plan under the Labor Pension Act.

13) Income tax

A. In accordance with R.O.C. SFAS No. 22, "Accounting for Income Taxes", the income tax effect of temporary differences, losses available for carryforward and income tax credits is recorded as deferred tax asset/liability. 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 asset 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.

B. In accordance with R.O.C. SFAS No. 12, "Accounting for Investment Tax Credits", investment tax credits resulting from expenditures for the acquisition of machinery or technology, research and development, employees' trainings, and equity investments are recognized in the period the related expenditures are incurred.

C. The additional 10% income tax on undistributed earnings of the Company is recognized as tax expense in the period the stockholders approve a resolution to retain the earnings.

14) Treasury Stock

Treasury stocks are stated at cost. Cost is determined using the weighted-average method. The transactions are recorded as follows:

A. Treasury stocks are stated at cost.

B. 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.

C. 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 the 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 the paid-in capital-treasury stock account of the same class.

15) Earnings Per Share

A. Basic earnings per share is calculated by dividing net income by the weighted average number of shares outstanding during the year after taking into consideration the retroactive effect of stock dividends and capital reserve capitalized.

B. The Company adopted the amended R.O.C. SFAS No. 24 "Earnings per share", which requires the calculation of earnings per share by disclosing basic and diluted earnings per share if there are potential common stocks.

16) Revenues and expenses

Revenues and expenses are recorded as follows:

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

B. 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.

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

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

E. Costs and expenses are recognized as incurred.

17) Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the 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.

18) Classification of current and non-current assets and liabilities

Current assets consist of cash and cash equivalents, assets held for trading, 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 other liabilities are classified as non-current liabilities.

19) Translation of foreign currency transactions

A. The Company maintains its accounts in New Taiwan dollars. Transactions denominated in foreign currencies are translated into New Taiwan dollars at the spot exchange rates prevailing at the transaction dates.

B. Receivables, other monetary assets and liabilities denominated in foreign currencies are translated at the spot exchange rates prevailing at the balance sheet date. Exchange gains or losses are recognized in profit or loss. However, translation exchange gains or losses on intercompany accounts that are, in nature, deemed long term is accounted for as a reduction in stockholders' equity.

C. When a gain or loss on a non-monetary item is recognized directly in equity, any exchange component of that gain or loss shall be recognized directly in equity. Conversely, when a gain or loss on a non-monetary item is recognized in profit or loss, any exchange component of that gain or loss shall be recognized in profit or loss. However, non-monetary items that are measured on a historical cost basis are translated using the exchange rate at the date of the transaction.

3. <u>CHANGES IN ACCOUNTING PRINCIPLES</u>

1) Asset Impairment

Effective January 1, 2005, the Company adopted the R.O.C. SFAS No. 35, "Accounting for Asset Impairment". The adoption of this accounting principle had no significant impact on the financial statements as of and for the six-month period ended June 30, 2005.

2) Goodwill

A. Effective January 1, 2006, the Company adopted the amended R.O.C. SFAS Nos. 1, 5, 7, 25, and 35 which discontinued the amortization of goodwill. The adoption of these accounting principles had no significant impact on the financial statements as of and for the six-month period ended June 30, 2006.

B. Prior to December 31, 2005, the difference between investment cost and book value of long-term equity investment is amortized over 10 years.

3) Financial instruments

A. Effective January 1, 2006, the Company adopted the R.O.C. SFAS No. 34, "Accounting for Financial Instruments" and No. 36, "Disclosure and Presentation of Financial Instruments". The Company properly reclassified certain accounts in the December 31, 2005 financial statements based on its holding purpose and abilities in accordance with the "Rules Governing the Preparation of Financial Statements of Securities Issuers" and R.O.C. SFAS No. 34 and No. 36.

B. The accounting policies before December 31, 2005 are as follows:

A) Short-term investments

Short-term investments are stated at the lower of aggregate cost or market value. Cost is determined using the weighted-average method. The market value of listed stocks and closed-end mutual funds is based on the average closing price during the last month of the accounting period. The market value of open-end and balanced mutual funds is based on the net asset value at the balance sheet date. Any loss due to the decline in market value is recognized in the current year.

B) Long-term investments in equity securities-under the cost method

Long-term investments in which the Company holds less than 20% of the voting shares of the investees and has no ability to exercise significant influence on the investees' operational decisions are stated at the lower of cost or market value if the investee company is listed, and at cost if the investee company is not listed. Unrealized loss on the decline in market value is accounted for as a deduction of stockholders' equity. Where the decline in the investment value is permanent and the possibility of share price recovery is remote, an investment loss is recognized and charged against current income.

C) Trading securities

a. 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.

b. 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 per share will be recalculated using the total investment divided by the 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.

C. These changes in accounting principles had no significant effect on the financial statements as of and for the six-month period ended June 30, 2006.

4. DESCRIPTION OF SIGNIFICANT ACCOUNTS

1) FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	June 30, 2006	June 30, 2005
Current items:		
Financial assets held for trading：		
Open-end mutual funds beneficiary certificates and money market instruments		
Open-end mutual funds beneficiary certificates	$ 450,020	$ 120,020
Adjustment of open-end mutual funds beneficiary certificates	(22,179)	(352)
	427,841	119,668
Trading securities-dealer		
Listed (TSE and OTC) stocks	$ 2,090,243	$ 1,593,443
Government bonds	3,192,244	8,686,900
Corporate bonds	4,166,204	1,476,803
Unsecured corporate bonds	50,000	49,998
Financial bonds	5,605,557	4,069,887
Convertible corporate bonds	1,523,444	2,194,520
Overseas convertible bonds	1,173,252	874,787
Secured corporate bonds	-	302,665
Emerging stocks	261,903	44,901
	18,062,847	19,293,904
Adjustment of trading securities-dealer	(16,760)	-
	18,046,087	19,293,904
Trading securities-underwriter		
Listed (TSE and OTC) stocks	266,296	20,104
Convertible corporate bonds	612,135	740,845
	878,431	760,949
Adjustment of trading securities-underwriter	24,894	(3,266)
	903,325	757,683
Trading securities-hedging		
Listed (TSE and OTC) stocks	71,920	351,539
Convertible corporate bonds	342,264	28,000
	414,184	379,539
Adjustment of trading securities-hedging	(9,156)	(3,327)
	405,028	376,212

	June 30, 2006	June 30, 2005
Buy option - futures	20,502	1,728
Futures guarantee deposits receivable	608,084	350,471
Derivative financial instrument assets-OTC	532,500	214,754
	$ 20,946,367	$ 21,114,420
Noncurrent items:		
Designated at fair value through profit or loss	$ 2,249,733	$ 2,249,838
Adjustment of financial assets designated at fair value through profit or loss	(4,157)	-
	2,245,576	2,249,838
Total	$ 23,191,943	$ 23,364,258

A. Financial instruments designated at fair value through profit or loss at inception are those that are managed and whose performance is evaluated on a fair value basis, in accordance with the Group's documented investment strategy.

B. For derivative financial instruments, refer to Note 10.

2) AVAILABLE-FOR-SALE FINANCIAL ASSETS

	June 30, 2006		June 30, 2005	
Investees	Amount	Percentage of ownership	Amount	Percentage of ownership
Unlisted stocks				
Global Securities Finance Co., Ltd.	$ -	-	$ 115,664	1.75%
Taiwan Securities Central Custody Depository Co., Ltd.	2,450	0.24%	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%
Chyuan Hua Venture Capital Corporation	30,000	5.00%	30,000	5.00%
Taiwan Integrated Shareholder's Service Company	15,395	5.27%	8,300	2.77%
	$ 141,845		$ 250,414	

3) BONDS PURCHASED UNDER RESALE AGREEMENTS

As of June 30, 2006 and 2005, bonds purchased under resale agreements were due within one year. Annual interest rates for bonds ranged from 0% to 1.49% and from 0.85% to 1.225% for the six-month periods ended June 30, 2006 and 2005, respectively, except for the interest rates of government bonds 94-4 and 95-1 ranging from –0.5% to 0.5% for the six-month period ended June 30, 2006 and government bonds 94-1 ranging from –0.11 to 0.8% for the six-month period ended June 30, 2005.

4) MARGIN LOANS RECEIVABLE

The margin loans receivable was secured by the securities purchased by customers under margin loans. For the six-month periods ended June 30, 2006 and 2005, the annual interest rates were both 6.65%.

5) ACCOUNTS RECEIVABLE

	June 30,	
	2006	2005
Accounts receivable-bonds	$ 5,372,697	$ -
Others	811,013	93,581
	6,183,710	93,581
Less: allowance for bad debts	(1,289)	(1,123)
	$ 6,182,421	$ 92,458

6) INVESTMENTS ACCOUNTED FOR UNDER THE EQUITY METHOD

	June 30, 2006		June 30, 2005	
	Amount	Percentage of ownership	Amount	Percentage of ownership
President Futures Corporation	$ 832,149	94.66%	$ 783,792	94.66%
President Securities (HK) Limited	47,388	5.19%	44,726	5.19%
President Capital Management Corporation	292,693	100.00%	297,573	100.00%
President Securities (BVI) Limited	1,307,536	100.00%	1,305,373	100.00%
President Investment Trust Co. Ltd.	442,459	28.66%	470,979	28.66%
	$ 2,922,225		$ 2,902,443	

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

B. The Company recognized a long-term investment gain of $48,515 and investment loss of $12,818 for the six-month periods ended June 30, 2006 and 2005, respectively, under the equity method based on the investees' financial statements which were reviewed by independent accountants.

C. The Company adopted newly published "Rules Governing Recognition of Assets Impairment Loss", R.O.C. SFAS No. 35 since the third quarter of 2005. For the six-month period ended June 30, 2006, the evaluated impairment loss was $19,039.

D. Investee companies over which the company owns more than 50% of shares or has controlling power were included in the consolidated financial statements.

7) SHORT-TERM LOANS

	June 30, 2006	June 30, 2005
Secured loans	$ 5,565,000	$ 5,267,000
Interest rates	1.58%~1.71%	1.28%~1.42%

8) COMMERCIAL PAPER PAYABLE

	June 30, 2006	June 30, 2005
Face value	$ 4,900,000	$ 5,419,000
Less: Discount	(3,518)	(2,585)
	$ 4,896,482	$ 5,416,415
Interest rates	1.26%~1.59%	0.87%~1.23%

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

9) BONDS SOLD UNDER REPURCHASE AGREEMENTS

As of June 30, 2006 and 2005, bonds sold under repurchase agreements were due within one year with annual interest rates ranging from -0.2% to 1.61% and 0.85% to 1.225%, respectively.

10) FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	June 30, 2006	June 30, 2005
Financial Liabilities held for trading：		
Bonds purchased under resale agreements -securities financing	$ 986,478	$ 5,551,285
Adjustment of bonds purchased under resale agreements-securities financing	1,603	-
	988,081	5,551,285
Borrowed securities		
Borrowed securities payable - hedging	3,057,604	-
Adjustment of borrowed securities payable -	-	-
	3,057,604	-
Warrants	94,658	910,360
Gain on price fluctuation (including deferred loss)	4,795	(351,314)
Market value	99,453	559,046
Repurchase of warrants	(44,141)	(634,713)
Loss on price fluctuation	(2,682)	111,808
Market value	(46,823)	(522,904)
Warrants-net	52,630	36,142
Liabilities for sale of options-futures	17,096	3,943
Derivative financial instrument liabilities-OTC	64,877	8,100
Total	$ 4,180,288	$ 5,599,470

A. For derivative financial instrument liabilities - OTC, please refer to Note 10.

B. The warrants carry an American-option and have six-month to nine-month exercise periods 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, 2006 are as follows:

Warrants (in NT Dollars)

Warrants	Units Issued	Underlying Securities	Issuance Date	Issuance Price	Market Value	Strike Price
PRESIDENT 73	30,000,000	PITC	94.10.05	0.686	0.07	73.58
PRESIDENT 77	20,000,000	PCC	95.06.06	0.500	1.30	40.20
PRESIDENT 78	20,000,000	CATHAY HOLDINGS	95.06.06	0.255	0.54	107.70
PRESIDENT 79	25,000,000	KYEC	95.06.20	0.437	0.50	39.90
PRESIDENT 80	20,000,000	DELTA	95.07.03	0.746	-	118.50
PRESIDENT 81	20,000,000	CATCHER	95.07.06	1.900	-	489.00
PRESIDENT 82	25,000,000	TSMC	95.07.06	0.372	-	84.90

11) OTHER PAYABLES

	June 30, 2006	June 30, 2005
Dividends payable	$ 715,593	$ 988,200
Income tax payable	1,127,913	1,001,402
Salaries payable	281,105	170,456
Remunerations payable	22,598	31,206
Bonus payable	15,272	20,804
Other payables	198,459	307,573
	$ 2,360,940	$ 2,519,641

12) OTHER FINANCIAL LIABILITIES-CURRENT

	June 30, 2006	June 30, 2005
ELN-Options	$ 303	$ 14,514
ELN-fixed income	9,697	184,574
PGN-fixed income	92,297	11,220
	$ 102,297	$ 210,308

13) 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 rates.

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

C. Interest rates: Some interest rates are fixed, and the remaining interest rates are floating, based on the 6-Month LIBOR Rate. As of June 30, 2006, the interest rate was 0%.

D. As of June 30, 2006, the Company redeemed bonds with par value of $1,000,000 at the cost of $968,600 (excluding interest) and retired them in October 2004 and May 2005.

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

F. Life of the bonds: From December 24, 2003 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 swaps for hedging against the changes in interest rates. Please also refer to Note 10(5(3)).

14) PENSION PLAN

A. The Company has a defined benefit plan, under the Labor Standards Law that provides benefits based on an employees' length of service and average salary or wage for the 6-month period prior to retirement. Two units are accrued for each year of service for the first 15 years and one unit for each year of service thereafter, with a maximum of 45 units. The Company contributes monthly an amount equal to 2% of employees' monthly base salaries and wages to an independent fund with the Central Trust of China, the trustee. For the six-month periods ended June 30, 2006 and 2005, the Company recognized net periodic pension cost of $6,669 and $23,447, respectively. The fund balance was $282,728 and $249,727 as of June 30, 2006 and 2005, respectively.

B. The defined contribution plan became effective on July 1, 2005 and applied to employees of R.O.C nationality. The employees have the option to participate in the New Plan. Under the New Plan, the Company contributes monthly an amount not less than 6% of employees' salaries to the employees' personal accounts with the "Bureau of Labor Insurance". Benefits accrued under the New Plan are portable upon termination of employment. The total pension expenses amounted to $20,793 under the New Plan for the six-month period ended June 30, 2006.

15) RESERVE FOR DEFAULT

A In accordance with the Rules Governing the Administration of Securities Firms, the Company provides a monthly default reserve at 0.0028% of the settlement value with a maximum reserve balance of $200,000. Futures merchants provide a monthly default reserve at 2% of the commission income from futures trading.

B 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).

16) RESERVE FOR TRADING LOSS

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

17) COMMON STOCK

As of June 30, 2006 and 2005, the Company's authorized capital stock was $15,000,000. The Company’s issued common stocks were 1,137,072,000 and 1,140,499,000 shares, and the outstanding common stocks were 1,132,435,000 and 1,135,862,000 shares as of June 30, 2006 and 2005, respectively, with a par value of $10 (dollars) per share. For treasury stock transactions, please refer to Note 4(22).

18) 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.

19) 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 and only half of such legal reserve may be capitalized.

20) 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 had 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.

21) 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 stockholders during its 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, the total amount of dividends declared every year shall be at least 70% of distributable earnings, of which stock dividends shall be at least 50%.

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

D. The resolutions approved by the stockholders during its meeting relative to the earnings allocation for year 2005 and 2006 were to distribute cash dividends of NT $0.63 and NT $0.87 per share, respectively.

22) TREASURY STOCK

A. Details of treasury stock transactions for the six-month period ended June 30, 2006:

(Expressed in thousands of shares)

Purpose	Beginning Balance	Addition	Disposal	Ending Balance
Employee ownership	4,637	-	-	4,637
Enhancement of shareholder value	-	3,427	(3,427)	-
	4,637	3,427	(3,427)	4,637

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

(Expressed in thousands of shares)

Purpose	Beginning Balance	Addition	Disposal	Ending Balance
Employee ownership	4,637	-	-	4,637

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

D. Under the Securities and Exchange Law, treasury stocks shall not be pledged and shall bear no stockholder's right before reissuance.

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

23) INCOME TAX

A. Income tax expense and payable

	June 30, 2006	June 30, 2005
Income tax payable	$ 162,756	$ 228,392
Prepaid income tax	18,725	12,484
Cumulative effect of deferred tax assets	8,517	(53,996)
Under provision of prior year's income tax	7,780	(5,871)
Tax on separately taxed income	568	368
Income tax expense-current	198,346	181,377
Retention tax (10%) on unappropriated earnings	1,617	-
Income tax expense	$ 199,963	$ 181,377

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

	June 30,			
	2006		2005	
Temporary differences	Amount	Tax effect	Amount	Tax effect
Current assets				
- Bad debts	$ 241,472	$ 60,368	$ 853,421	$ 213,355
- Others	(23,762)	(5,940)	(305,485)	(76,371)
		$ 54,428		$ 136,984
Non-current assets				
- Unrealized loss on default	$ 177,568	$ 44,391	$ 177,568	$ 44,392
- Others	7,626	1,907	10,406	2,602
		$ 46,298		$ 46,994

C. Imputation tax system

	June 30, 2006	June 30, 2005
The balance of imputation credits account	$ 162,455	$ 61,670
	2005	2004
Estimated rate of imputation credits account	16.34%	19.23%
	(Estimated)	(Actual)

D. Unappropriated earnings

	June 30, 2006	June 30, 2005
Before 1998	$ 10,497	$ 10,497
1998 and onwards	811,890	318,951
	$ 822,387	$ 329,448

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

F. The Tax Authority imposed additional income tax in the amount of $598,378 for the years 1998 to 2003. The Company contested the assessment and provided time deposits as security for the appeal. As of June 30, 2006, the appeal is still pending, however, the Company has accrued the additional tax in the financial statements.

24) EARNINGS PER SHARE

The earnings per share for June 30, 2006 and 2005 was calculated based on the average outstanding common stocks of 1,132,435,000 and 1,135,862,000 shares, respectively.

25) SECURITIES BROKERAGE ACCOUNTS-NET

	June 30, 2006	June 30, 2005
Debits:		
Cash in bank-settlement	$ 4,659	$ 124,948
Accounts receivable - customers' purchases	4,139,264	2,067,155
Net exchange clearing receivable	928,575	602,989
Accounts receivable-settlement	1,873,228	1,841,918
	$ 6,945,726	$ 4,637,010
Credits:		
Accounts payable	(4,578,309)	(2,202,210)
Accounts payable-settlement	(1,953,539)	(1,797,181)
Net exchange clearing receivable	(292,285)	(371,376)
	(6,824,133)	(4,370,767)
Securities brokerage accounts-net	$ 121,593	$ 266,243

26) PERSONNEL, DEPRECIATION AND AMORTIZATION EXPENSES

The following is a summary of personnel, depreciation and amortization expenses:

Nature/ Function	Brokerage	Dealing	Underwriting	Administration	Total
			For the six-month period ended June 30, 2006		
Personnel Expenses					
Salaries	$ 527,879	$ 23,044	$ 22,844	$ 189,146	$ 762,913
Insurance	27,411	1,640	1,899	3,508	34,458
Pension	23,166	1,035	985	2,276	27,462
Others	18,902	1,061	942	11,640	32,545
Depreciation	29,745	2,623	2,534	6,210	41,112
Amortization	-	-	-	1,430	1,430

Nature/ Function	Brokerage	Dealing	Underwriting	Administration	Total
			For the six-month period ended June 30, 2005		
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	35,892	2,515	3,871	4,433	46,711
Amortization	-	-	-	1,431	1,431

Note：Depreciation on rental assets for the six-month period ended June 30, 2006 and 2005 was $1,537 and $121, respectively, and was recorded as non-operating expenses.

27) GAIN ON TRADING OF SECURITIES

	For the six-month periods ended June 30, 2006	2005
Dealer:		
- OTC	$ 170,818	$ 131,435
- TAIEX	225,582	180,396
	396,400	311,831
Underwriters:		
- OTC	2,156	5,602
- TAIEX	5,835	8,043
	7,991	13,645
Hedging:		
- OTC	(36,634)	19,772
- TAIEX	12,178	(1,276)
	(24,456)	18,496
	$ 379,935	$ 343,972

28) FINANCIAL STATEMENT PRESENTATION

Certain accounts in the June 30, 2005 financial statements were reclassified to conform with the June 30, 2006 financial statement presentation.

5. RELATED PARTY TRANSACTIONS

1) Names and relationship of related parties

Names of related parties	Relationship with the Company
UNI-President Enterprises Corp.	Major Shareholder
President Chain Store Corp.(PCSC)	**An institutional director of 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 Securities (Nominee) Limited (Note)	An indirectly-owned subsidiary

Note: Formerly President Securities (ASIA) Limited.

2) Significant related party transactions

A. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS-CURRENT

Futures security deposits receivable

	June 30,	
	2006	2005
PFC	$ 608,084	$ 350,471

The futures deposits are used for futures transactions.

B. Commission Income-Futures

	For the six-month prionds ended June 30,	
	2006	2005
PFC	$ 53,354	$ 53,512

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

C. Endorsements and securities

The board of directors adopted a resolution to provide security 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.

6. PLEDGED ASSETS

The book values of assets pledged or restricted for use are as follows:

Assets	June 30, 2006	June 30, 2005	Purpose
Financial assets at fair value through profit or loss			
Trading securities (par value)			
-Corporate bonds	$ 4,200,700	$ 300,000	Securities for bonds sold with repurchase agreements
-Government bonds	4,400,000	5,483,970	Securities for bonds sold with repurchase agreements
-Financial bonds	5,465,000	500,000	Securities for bonds sold with repurchase agreements
Financial assets designated at fair value through profit or loss			
-Government bonds (par value)	2,250,000	2,250,000	Securities for issuance of bonds
Restricted assets			
-Demand deposits	53,931	97,760	Collections on behalf of third parties and reimbursement for wages, and compensation for short-terms loans
-Pledged time deposits	1,781,000	1,476,000	Securities for short-term loans and guarantees for issuance of commercial paper
Fixed Assets			
-Land and buildings (book value)	1,438,074	1,496,965	Securities for short-term loans and guarantees for issuance of commercial paper
Other assets			
-Operating guarantee deposits	680,000	680,000	Security deposits
-Exchange clearing deposits	50,000	50,000	Security deposits
-Deposits-out	257,000	74,000	Guarantee for income tax assessment
	160,000	260,000	Guarantee for warrants
	-	1,900	Guarantee for default customers' properties held
Rental assets			
-Land and buildings (book value)	39,748	39,990	Securities for short-term loans and guarantees for issuance of commercial paper

7. SIGNIFICANT COMMITMENTS AND CONTINGENT LIABILITIES

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

Period		Amount
2006 (July ~ December)	$	41,699
2007		58,700
2008		43,360
2009		22,015
2010		14,676
	$	180,450

2) The Company 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).

8. SIGNIFICANT LOSS FROM NATURAL DISASTER

NONE

9. SIGNIFICANT SUBSEQUENT EVENTS

NONE

10. OTHER EVENTS

1) The fair values of the financial instruments

	June 30, 2006		
		Fair value	
	Book value	Quotations in an active market	Estimate using a valuation method
Non-derivative financial instruments			
Financial assets with fair value equal to book value	$ 32,411,246	$ -	$ 32,411,246
Financial asset for trading purpose	19,785,281	19,785,281	-
Available-for-sale financial assets - non-current	141,845	-	141,845
Financial assets designated at fair value through profit or loss - non-current	2,245,576	2,245,576	-
Operating guarantee deposits	680,000	-	680,000
Exchange clearing deposits	328,117	-	328,117
Deposits-out	508,975	-	**508,489**
Derivative financial instruments			
Buy option - futures	20,502	20,502	-
Futures guarantee deposits receivable	608,084	-	608,084
Derivative financial instrument assets - OTC	532,500	532,500	-
Other financial assets	-	-	-
	$ 57,262,126	$ 22,583,859	**$ 34,677,781**
Non-derivative financial instruments			
Financial liabilities with fair value equal to book value	$ 39,840,380	$ -	$ 39,840,380
Financial liabilities for trading purposes (excluding derivative financial instruments)	988,081	988,081	-
Bonds payable	2,000,000	-	2,000,000
Derivative financial instruments			
Call option - futures	17,096	17,096	-
Warrants	99,453	99,453	-
Repurchase of warrants	(46,823)	(46,823)	-
Borrowed securities payable	3,057,604	3,057,604	-
Derivative financial instrument liabilities - OTC	64,877	64,877	-
Other financial liabilities - current	102,297	102,297	-
	$ 46,122,965	$ 4,282,585	$ 41,840,380

	June 30, 2005		
		Fair value	
	Book value	Quotations in an active market	Estimate using a valuation method
Non-derivative financial instruments			
Financial assets with fair value equal to book value	$ 20,243,360	$ -	$ 20,237,959
Financial asset for trading purpose	20,547,466	20,537,409	-
Available-for-sale financial assets - non-current	250,414	-	250,414
Financial assets designated at fair value through profit or loss - non-current	2,249,838	2,250,061	-
Operating guarantee deposits	680,000	-	680,000
Exchange clearing deposits	323,257	-	323,257
Deposits-out	371,259	-	369,155
Derivative financial instruments			
Buy option - futures	1,728	1,728	-
Futures guarantee deposits receivable	350,471	-	350,471
Derivative financial instrument assets - OTC	214,754	213,528	-
Other financial assets	5,146	5,146	-
	$ 45,237,693	$ 23,007,872	$ 22,211,256
Non-derivative financial instruments			
Financial liabilities with fair value equal to book value	$ 26,050,593	$ -	$ 26,050,593
Financial liabilities for trading purposes (excluding derivative financial instruments)	5,551,285	5,529,707	-
Bonds payable	2,000,000	-	2,000,000
Derivative financial instruments			
Call option - futures	3,943	3,943	-
Warrants	559,046	559,046	-
Repurchase of warrants	(522,904)	(522,904)	
Borrowed securities payable	-	-	-
Derivative financial instrument liabilities - OTC	8,100	8,100	-
Other financial liabilities - current	210,307	210,307	-
	$ 33,860,370	$ 5,788,199	$ 28,050,593

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

A) For short-term instruments, the fair values were determined based on their carrying values because of their short maturities. This method was applied to Cash and cash equivalents, Bonds purchased under resale agreements, Margin loans receivable, Refinancing security deposits, Receivable on refinancing security, 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, Borrowed securities payable-hedged, Accounts payable, Collections for third parties, Other payables, Collections on behalf of third parties and Securities brokerage credit accounts- net.

B) For securities purchased and underwritten, the fair values were determined based on quoted market prices at the balance sheet date except for emerging stocks which were based on cost.

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

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

E) The fair value of bonds payable is based on their quoted market prices.

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

2) As of June 30, 2006, the financial assets and the financial liabilities with fair value risk due to the change of interest amounted to $39,299,231 and $40,217,423, respectively, and the financial liabilities with cash flow risk due to the change of interest amounted to $528,974.

3) For the six-month period ended June 30, 2006, total interest income and total interest expense for financial assets or financial liabilities that are not at fair value through profit or loss amounted to $481,949 and $211,949, respectively.

4) Procedure of financial risk control hedge

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The Group's overall risk management program focuses on the unpredictability of financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

Risk management is carried out by a central treasury department (Group Treasury) under policies approved by the Board of Directors. Group Treasury identifies, evaluates and hedges financial risks in close cooperation with the Group's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and the investment of excess liquidity.

In early 2003, the Company added a Risk Controller to supervise all of the Company's risk management strategies. The responsibility of the Risk Controller includes the following:

a. Setting all of the Company's risk management systems;

b. Developing efficient methods to measure and manage the Company's risk;

c. Reviewing the risk management system, business quota, evaluation model, and application of exception management of the business departments;

d. Collecting data, summarizing information, generating risk reports;

e. Analyzing the market, situation of credit and liquidity risk, and reporting the results to the CEO;

f. Reporting the risk management situation to the risk management and audit committee based on the demand and essence of the meeting;

g. Executing the items designated by the risk management and audit committee.

A. Financial risk management:

The purpose of financial risk management is to ensure the completeness of the risk management system, execute the monitoring mechanism, increase the efficiency of the risk management, and set the risk management policies. By setting a consistent compelling standard, the Company can control all the possible risks within a presetting range, actively seek growth in every business scope and attain the objective of maximizing capital return.

The risk faced by the Company includes market risk, credit risk, liquidity risk, cash flow risk, operating risk, and lawsuit risk. The risk management system is established to efficiently control the entire Company's risk. The Company's risk management system includes an independent risk management department and a risk management organizational structure, including the board of directors, risk and audit management committee, risk control office, inspection and audit office, legal affairs section and the financial department.

B. Hedging strategies (financial hedging):

The Company's strategies use derivatives to control the risk of price volatility within a certain range. The strategies are set according to the Company's capacity for tolerating risk.

(A) Equity securities

The Company will bear the risk of value loss when there is an unfavorable change in the price of the target security. The methods adopted include lowering the current position and employing TX futures, TF futures, and TE futures. The market value of open position is limited to the market value of the current position of TSE stocks held by the Company or a certain percentage of the net value of the Company at the end of the prior month, whichever is lower. When the net value is less than the paid-in capital, paid-in capital is used.

(B) Fixed income securities

The major risk associated with fixed income securities results from changes in interest rates. The Company bears market risk when the change in interest rates is unfavorable. The Company uses derivatives such as interest rate swaps, governmental bond futures and bond options to hedge the market risk.

(C) Warrants

The market risk of warrants includes Delta risk, Gamma risk, position risk, VaR risk, warrant market creating risk, and reissuance 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 the same underlying securities to offset the risks caused by the fluctuations.

(D) Structured notes

Structured notes are a combination of fixed income securities and options. The market risk of structured instruments includes risk resulting from changes in stock prices, volatility and interest rates. To lower the market risk resulting from engaging in business, not only the interest generating from investing in fixed income securities is used to repay the principal due, but also the Company establishes a dynamic hedging position. Hedging position is usually within a range centering the theoretical hedge amount.

(E) Convertible bond asset swap

The Company detaches the option from the convertible bond and sells them to the market respectively. This business involves market risk and credit risk of the counterparty. To lower the market risk, the Company sells the fixed income security part and the option part respectively while credit limit is applied to lower the credit risk from the counterparty.

5. Information of financial risk

A) Derivative financial instruments

Financial instrument	June 30, 2006 Fair value	June 30, 2005 Fair value
Assets:		
Put option - futures	$ 20,502	$ 1,728
Futures guarantee deposits receivable	608,084	350,471
Interest rate swap contract	528,974	206,261
Asset swap options	-	(1,392)
Bond option	3,485	4
ELN-Options	41	9,881
	$ 1,161,086	$ 566,953
Liabilities:		
Warrants	52,630	36,141
Sell option - futures	17,096	3,943
Borrowed securities payable	3,057,605	-
Asset swap options	59,576	4,538
Bond option	2,143	196
PGN-Options	3,158	282
ELN liabilities:		
- Option money (Note)	303	14,514
- Fixed income securities (Note)	9,697	184,574
PGN liabilities:		
- Fixed income securities (Note)	92,297	11,220
	$ 3,294,505	$ 255,408

Note: Recorded as “Other Financial Liabilities”.

B) Information of financial instruments

a) Trading of futures

The list of deposits for trading futures:

	June 30, 2006	June 30, 2005
Futures security deposits receivable	$ 608,084	$ 350,471
Excess security deposits	$ 544,724	$ 304,652

b) Warrants

For information relating to issuance of warrants: please refer to Note 4 (10).

c) <u>Convertible bond asset swaps and options</u>

The Company engages in the business of asset swaps and options. Under an asset swap, the Company sells convertible bonds to the counterparty and receives proceeds. Over the contract period, the Company exchanges its cash flows with the counterparty and retains the right to buyback the convertible bonds. Under an option transaction, the Company keeps the right to buyback the convertible bonds or the counterparty has the right to buy the convertible bonds. The Company can clear the position by rendering its currently owned bonds.

d) <u>Interest rate swaps</u>

The purpose of the Company to enter into an interest rate swap contract is to earn the interest gap based on the Company's estimation toward the interest rate trend. 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. Most of the counterparties are financial institutions.

e) <u>Structured notes</u>

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. All the linked products are financial instruments under the supervision of the SFB.

f) <u>Bond options</u>

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.

C) Information of financial risk

a) Market risk

Market risk refers to risk of asset impairments resulting from market risk factors such as changes in stock prices, interest rates, exchange rates, and commodity prices, including directional and non-directional risk.

The Company sets authorization limit and VaR (value at risk) limit for each business department as the standard of executing risk management.

The Company measures risk using the Monte Carlo Simulation to calculate VaR with a confident interval of 95%. The following table shows the VaR data of all positions in the first half of 2006. In the table, VaRs are classified to equity securities, fixed income securities, derivatives and total amount. Because of the elimination effect resulting from the different classification, the total VaR is less than the sum of all classification. The difference between the total and the sum of individual VaR may be regarded as the achievement resulting from diversification.

		VaR		
	June 30, 2006	Mean	Minimum	Maximum
Equity securities	$ 59,182	$ 62,807	$ 40,255	$ 82,020
Fixed income securities	15,302	13,709	6,784	44,157
Derivatives	32,067	36,970	26,710	65,405
Hybrid instruments	18,087	18,822	6,502	26,711
Sum	124,638	132,310	107,291	159,225
Benefits resulting from diversification	(25,380)	(40,567)	(72,261)	(16,527)
Total VaR	99,258	91,743	68,167	118,558

b) Credit risk

(A) Failure to delivery risk

Failure to delivery risk refers to the risk resulting from the counterparty's failure to execute the duty of delivery.

(B) Risk of degradation of the issuer's credit rating

The risk occurs due to the degradation of the issuer's credit rating.

(C) Default risk

Default risk refers to the risk that the issuer cannot execute its duty.

The maximum credit exposure is equal to the book value of the Company's financial assets minus allowance. Since the Company does not have significant commitment or guaranty items, no extra credit risk is expected to occur.

c) Liquidity risk

Liquidity risk occurs when the volume of transaction is insufficient in the market so that the Company will suffer difficulty if disposing its position in a reasonable time.

(A) Market liquidity risk:

(a) Liquidity risk results from external factors such as customized products.

(b) Sudden decline in the volume of transactions due to market factors.

(B) Cash liquidity risk:

Cash liquidity risk refers to the Company's inability to raise funds at reasonable costs to fulfill the following demand:

(a) The investing position exceeds the original plan so that the Company cannot afford sufficient cash to clear the transaction.

(b) The Company cannot deposit security in time so the position held is cleared irrevocably.

(c) Other factors

The Company ensures the safety of cash flow via cash flow management and control over the credit line. The purpose of the Company's market risk management is to maximize the efficiency of the VaR. While the Company pursues this purpose, economic situation, competition, and market value risk and its effect on the Company's net interest income are all considered.

d) Fair value risk from changes in interest rates

Fair value risk from changes in interest rates refers to the uncertainty of future cash flows resulting from changes in index interest rates. If the possible risk from interest rate change exceeds the acceptable range, the Company uses interest swaps to hedge the risk.

e) Hedge strategy and related information (accounting hedge):

In December 2003, the Company issued anti-floated bonds and used interest rate swap as the tool to hedge the cash flows. Under the contract, anti-LIBOR interest rates are exchanged to fixed interest rates.

For the purpose of risk management, the Company focuses its hedge activities on two major changes: interest payments and interest rate risk. The relationship between the two changes is employed to manage cash flow risk and avoid interest rate risk.

While the major terms of the hedged target and the instrument employed are the same and changes in fair value and cash flows can be completely eliminated, the instrument is considered efficient and the hedge is in accordance with the hedge accounting.

At June 30, 2006 and 2005, the instruments employed and hedged items are as follows:

Fair value hedge, Cash flow hedge, and Hedge of a net investment in foreign operation

	Designated hedging instrument				
	Financial instrument designated as hedging instrument	Fair value		Period of anticipated cash flow	Period of gain (loss) recognized in income statements
Hedge item		June 30, 2006	June 30, 2005		
Bonds payable	Interest Rate Swap	($ 651)	($ 193)	By contracts	Recognized over the period

Items	For the six-month periods ended June 30 2006	2005
Amount removed from equity and recognized in profit or loss	($ 651)	$ -

11. OTHER DISCLOSURE ITEMS

A. Information about significant transactions

1) Lending to others: Excluding security margin trading and conditonal bond trading business, there is no lending of funds to either the shareholders or other parties.

2) Endorsements and guarantees for others：None.

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.

B. Related information of investee companies

1) Related information of investee companies

				Original investment		Ending balance			Net income	Investment	
Name of the investor	Name of the investee company	Location	Major operating activities	Balance on June 30, 2006	Balance on June 30, 2005	Shares	Percentage	Book value	(loss) of investee company	income (loss) recognized by the Company	Notes
President Securities Corp.	President Futures Corp.	Taipei	Futures broking	$ 624,773	$ 624,773	$ 62,477,303	94.66%	$ 832,149	$ 58,334	$ 54,036	Subsidiary of the Company
	President Capital Management Corp.	Taipei	Securities investment consulting	300,000	300,000	30,000,000	100.00%	292,693	695	710	Subsidiary of the Company
	President Securities Corp. (HK)	Hong Kong	Securities broking, underwriting and consulting	34,030	34,030	10,000,000	5.19%	47,388	25,476	1,322	Subsidiary of the Company
	President Securities Corp. (BVI) Ltd.	British Virgin Islands	Securities investment and holding company	1,445,022	1,445,022	42,746,000	100.00%	1,307,536	(15,730)	(15,730)	Subsidiary of the Company
	President Investment Trust Co. Ltd.	Taipei	Investment Trust	534,940	534,940	8,599,000	28.66%	442,459	33,112	8,177	Subsidiary of the Company
President Securities (BVI) Ltd.	President Securities (HK) Ltd.	Hong Kong	Securities broking, underwriting and consulting	814,705	814,705	182,600,000	94.81%	865,683	25,476	749	Subsidiary of the Company
	President Futures (HK) Ltd.	Hong Kong	Futures dealing and broking	35,072	35,072	10,000,000	100.00%	32,078	507	507	Indirect subsidiary of the Company
	President Securities (NOMINEE) Ltd. (Note 2)	Hong Kong	Assets management	3,403	3,403	1,000,000	100.00%	3,683	13	13	Indirect subsidiary of the Company

Note1: Formerly President Securities (ASIA) Limited.

2) Lending to others: Excluding security margin trading and conditonal bond trading business, there is no lending of funds to either the shareholders or other parties.

3) Endorsements and guarantees for others：None.

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

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

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

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

8) Disclosure required by Ministry of Finance, Ruling of No. 0920004507:

(a) Securities held as of June 30, 2006 of President Securities (BVI) Ltd.:

Expressed in U.S. Dollars

Securities types and name	Type	Number of shares	Carrying value		Fair value		Note
			Unit price	Amount	Unit price	Amount	
Funds and money market instruments							
Trading：							
	STOCK	6,000	$ 0.4400	$ 2,642	$ 0.4520	$ 4,846	
	FUND	493,925	10.1230	5,000,000	8.5930	4,250,001	
	STRUCTURED NOTES	1,000,000	0.6340	633,905	0.6340	633,905	
	STRUCTURED NOTES	5,000,000	0.5270	2,634,797	0.5270	**2,634,797**	
	STRUCTURED NOTES	1,000,000	0.7750	774,728	0.7750	774,728	
	STRUCTURED NOTES	6,000,000	0.0340	205,431	0.0340	205,431	
	STRUCTURED NOTES	2,000,000	0.4160	831,108	0.4160	831,108	
	STRUCTURED NOTES	9,000,000	0.6250	5,628,477	0.6250	5,628,478	
	STRUCTURED NOTES	1,669,000	0.7050	1,175,991	0.7050	1,175,991	
	STRUCTURED NOTES	2,000,000	0.6190	1,238,167	0.6190	1,238,167	
	STRUCTURED NOTES	3,630,000	0.1560	564,707	0.1560	564,707	
	STRUCTURED NOTES	3,490,000	0.1020	355,437	0.1020	355,437	
	STRUCTURED NOTES	5,000,000	0.4230	2,113,612	0.4230	2,113,612	
	STRUCTURED NOTES	3,512,000	0.9850	3,459,225	0.9850	3,459,225	
	STRUCTURED NOTES	3,000,000	0.9040	2,711,544	0.9040	2,711,543	
	STRUCTURED NOTES	1,000,000	0.9980	997,856	0.9980	997,856	
	STRUCTURED NOTES	5,000,000	0.9950	4,975,000	0.9950	4,975,000	
	STRUCTURED NOTES	2,500,000	1.0000	2,500,000	1.0000	2,500,000	
Total				35,802,627		**$ 35,054,832**	
Less：Allowance for revaluation adjustment				(747,795)			
				35,054,832			

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
Hedging：							
ASE	STOCK	920,000	$ 1.0130	$ 932,354	$ 1.006	$ 925,204	
CPT	STOCK	400,000	0.2630	105,053	0.233	93,149	
Total				1,037,407		$ 1,018,353	
Less：Allowance for revaluation adjustment				(19,054)			
				1,018,353			
				$ 36,073,185			
~~Long-term investment - equity method~~							
President Securities (HK) Ltd.	STOCK	182,600,000	$ 0.1460	$ 26,743,384	$ 0.146	$ 26,743,384	
President Futures (HK) Ltd.	STOCK	10,000,000	0.0990	990,966	0.099	990,966	
President Securities (NOMINEE) Ltd.	STOCK	1,000,000	0.1140	113,782	0.114	113,782	
				$ 27,848,132		$ 27,848,132	
~~Held-to-maturity financial assets: non-current~~							
Bancnote Series	FUND	1,031,984	10,123	10,446,603	8,593	$ 8,862,603	
Less：Impairment loss on assets				(1,584,000)			
				$ 8,862,603			

(b) Derivative financial instruments transactions and the source of capital of President Securities (BVI) Ltd.:

Expressed in U.S. Dollars

Trading type of derivative financial instruments	Source of capital	Nominal principal	Balance	Purpose	Note
Equity - linked note: ELN	Receivable	1,376,553	1,276,790	Trading	
Equity - linked note: Option	Receivable		10,064	Trading	

(c) Revenue from consulting in assets management, services and litigation:

The company -PSBVI engages in consulting servies. For the six-month period ended June 30, 2006, the company had revenue of US$ 2,243 from consulting service, and no litigation cases.

d) Balance sheet

PRESIDENT SECURITIES (BVI) LTD.

BALANCE SHEETS

JUNE 30

Expressed in U.S. Dollars

Assets	2006 Amount	%	2005 Amount	%
Current Assets				
Cash and cash equivalents	$ 11,180,499	12	$ 35,135,217	27
Financial assets at fair value through profit or loss	36,083,249	39	47,578,830	37
Bonds purchased under resale agreements	4,000,000	4	16,701,345	13
Accounts receivable	1,570,838	2	-	-
Other receivables	955,558	1	1,836,103	1
Restricted assets	1,701,650	2	-	-
Total	55,491,794	60	101,251,495	78
Long-term investment - equity method	27,848,132	31	27,038,942	21
Held-to-maturity financial assets: non-current	10,446,603	11	-	-
Accumulated impairment loss: held-to-maturity financial assets: non-current	(1,584,000)	(2)	-	-
	8,862,603	9	-	-
Total Assets	$ 92,202,529	100	$ 128,290,437	99

Liabilities and Stockholders' Equity	2006 Amount	%	2005 Amount	%
Current Liabilities				
Short-term loans	$ 2,000,000	2	$ 20,000,000	16
Bonds sold under repurchase agreements	38,287,174	43	61,074,442	48
Other payables	10,245,132	11	3,921,843	3
Derivative financial instruments liabilities	1,276,790	1	2,011,039	2
Total	51,809,096	57	87,007,324	69
Stockholders' Equity				
Share caipital	42,746,000	46	42,746,000	33
Capital reserve	757,813	1	757,813	1
Cumulative translation adjustments	377,069	-	361,425	-
Retained earnings	(3,487,449)	(4)	(2,582,125)	(2)
Total	40,393,433	43	41,283,113	31
Total Liabilities and Stockholders' Equity	$ 92,202,529	100	$ 128,290,437	100

e) Statement of operations

PRESIDENT SECURITIES (BVI) LTD.

STATEMENTS OF OPERATIONS

FOR THE SIX - MONTH PERIODS ENDED JUNE 30,

Expressed in U.S. Dollars

Accounts	2006 Amount	2006 %	2005 Amount	2005 %
Revenues				
Gain on financial assets at fair value through profit or loss	$ 3,004,529	76	$ -	-
Investment gain under equity method	765,043	19	-	-
Interest revenue	122,820	3	1,031,657	89
Consulting service revenue	2,243	-	35,281	3
Non-operating revenue	52,979	2	88,211	8
Total	3,947,614	100	1,155,149	100
Expenditures				
Loss on derivative financial instruments	(209,228)	(5)	(54,089)	(5)
Loss on disposal of financial assets at fair value through profit or loss	(845,584)	(21)	(198,539)	(17)
Loss on financial assets at fair value through profit or loss	-	-	(57,081)	(5)
Loss on trading of futures	(28,292)	(1)	(84,824)	(7)
Investment loss under equity method	-	-	(198,509)	(17)
Operating expenses	(1,703,451)	(43)	(1,554,277)	(135)
Non-operating expense	(1,584,000)	(40)	-	-
Total	(4,370,555)	(110)	(2,147,319)	(186)
Net income	($ 422,941)	(10)	($ 992,170)	(86)

f) Transaction between relative parties and foreign business：None

C. Disclosure of investment in Mainland China：

Not applicable.

12. SEGMENT FINANCIAL INFORMATION

Not applicable.