PRESIDENT SECURITIES CORPORATION

NON-CONSOLIDATED FINANCIAL STATEMENTS

AND REPORT OF INDEPENDENT ACCOUNTANTS

JUNE 30, 2007 AND 2006

These English financial statements and report of independent accountants were translated from the financial statements and report of independent accountants originally prepared in Chinese.

Report of Independent Accountants

PWCR07000111

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, 2007 and 2006, and the related non-consolidated statements of income, of changes in shareholders' 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 audit 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, 2007 and 2006, 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 by Securities Firms", "Rules Governing the Preparation of Financial Statements by Futures Commission Merchants", "Business Entity Accounting Law", "Regulation on Business Entity Accounting Handling" and generally accepted accounting principles in the Republic of China.

We have also reviewed the consolidated financial statements of President Securities Corporation and its subsidiaries (not presented herein) as of and for the six-month periods ended June 30, 2007 and 2006. In our report dated August 24, 2007, we expressed an unqualified opinion on the consolidated financial statements.

August 24, 2007

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 audit of such non-consolidated 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 report of the independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

PRESIDENT SECURITIES CORPORATION
NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2007 AND 2006
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS,
EXCEPT AS OTHERWISE INDICATED)

1. HISTORY AND 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, 2007, the Company had 35 operating branches with approximately 1,400 employees.

The Company is primarily engaged in the underwriting, dealing, brokerage, financing of marketable securities, futures, warrants, derivative financial instruments and wealth management.

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 by Securities Firms”, “Rules Governing the Preparation of Financial Reports by Futures Commission Merchants”, “Business Entity Accounting Law”, “Regulation on Business Entity Accounting Handling” and generally accepted accounting principles in the Republic of China. The Company’s significant accounting policies are described below:

1) 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 are accounted for as a reduction of 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.

2) 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 subject to insignificant risk of changes in value resulting from fluctuations in interest rates.

3) 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 classified 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, respectively.

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 delisted (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 that meet 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.

4) 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. 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) 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.

5) 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 a model evaluation and the gain or loss is recognized in equity. The fair value of listed stocks, OTC stocks, closed-end mutual funds and beneficiary certificates is 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 delisted (TSE and OTC) stocks and emerging stocks is based on the cost at the balance sheet date when the Company has no ability to exercise 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 and recognized in profit or loss.

6) <u>Allowance for doubtful accounts</u>

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

7) <u>Bonds sold under repurchase agreements and bonds purchased under resale agreements</u>

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.

8) <u>Investments accounted for under the equity method</u>

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 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.

9) <u>Fixed assets and rental assets</u>

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 as residual value, except for leasehold improvements which are depreciated based on useful lives or the term of the contracts. Fully depreciated assets still in use are depreciated based on the residual value over the re-estimated 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.

10) 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.

11) 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. When the impairment no longer exists, the impairment loss recognized in prior years shall be recovered. However, impairment loss of goodwill is not recoverable.

12) Financial institution asset securitization

According to R.O.C. SFAS No. 33 "Accounting for Transfers of Financial Assets and Extinguishments of Liabilities", in using special purpose trusts, the Company transfers bonds held as well as related rights and obligations to trustees as the basis to issue beneficiary certificates and receives funds raised thereon. Under the transaction structure, the transaction is deemed as a sale since the Company loses control over the transferred assets. On the other hand, the transfer of subordinated bonds is not treated as a sale and instead, as long-term investments since those bonds are held for the purpose of assuming the risk for all beneficiary certificates.

13) 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.

14) 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.

15) 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 year the related expenditures are incurred.

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

16) 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.

17) <u>Earnings per share</u>

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.

18) <u>Revenues and expenses</u>

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 on 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. Commission income – Futures is recognized on the transaction date. The Company assists in futures transaction and fees collection.

F. Gains (losses) on futures contracts: The margin of futures transaction is recognized as cost.

Costs and expenses are recognized as incurred.

19) 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.

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

A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:

   a) Assets arising from operating activities that are expected to be realized or consumed, or are intended to be sold within the normal operating cycle;

   b) Assets held mainly for trading purposes;

   c) Assets that are expected to be realized within twelve months from the balance sheet date; and

   d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to pay off liabilities more than twelve months after the balance sheet date.

B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:

   a) Liabilities arising from operating activities that are expected to be paid off within the normal operating cycle;

   b) Liabilities arising mainly from trading activities;

   c) Liabilities that are to be paid off within twelve months from the balance sheet date; and

   d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date.

3. CHANGES IN ACCOUNTING PRINCIPLES

1) Goodwill

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.

2) 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”.

B. 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.

4. DETAILS OF SIGNIFICANT ACCOUNTS

1) FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	June 30, 2007	June 30, 2006
Current items:		
Financial assets held for trading - current:		
Open-end mutual funds beneficiary certificates and money market instruments		
Open-end mutual funds beneficiary certificates	$ 245,000	$ 450,020
Adjustment of open-end mutual funds beneficiary certificates	25,736	(22,179)
	270,736	427,841
Trading securities - dealer		
Listed (TSE and OTC) stocks	4,045,175	2,090,243
Government bonds	2,361,823	3,192,244
Corporate bonds	267,983	4,166,204
Unsecured corporate bonds	-	50,000
Financial bonds	1,329,562	5,605,557
Convertible corporate bonds	3,578,412	1,523,444
International bonds	-	1,173,252
Overseas convertible bonds	592,195	-
Emerging stocks	469,739	261,903
Foreign stocks	184,523	-
	12,829,412	18,062,847
Adjustment of trading securities - dealer	178,909	(16,760)
	13,008,321	18,046,087
Trading securities - underwriter		
Listed (TSE and OTC) stocks	440,989	266,296
Convertible corporate bonds	431,965	612,135
	872,954	878,431
Adjustment of trading securities - underwriter	62,131	27,894
	935,085	906,325

	June 30,	
	2007	2006
Trading securities - hedging		
Listed (TSE and OTC) stocks	1,592,295	71,920
Convertible corporate bonds	833,295	342,264
	2,425,590	414,184
Adjustment of trading securities - hedging	186,277	(9,156)
	2,611,867	405,028
Buy option - futures	4,079	20,502
Futures guarantee deposits receivable	919,421	608,084
Derivative financial instrument assets - OTC	143,114	532,500
	$ 17,892,623	$ 20,946,367
Noncurrent items:		
Financial assets held for trading - noncurrent - bonds	$ 1,070,456	$ 2,249,733
Adjustment of financial assets designated at fair value through profit or loss	(7,352)	(4,157)
Total	$ 1,063,104	$ 2,245,576

A. For derivative financial instruments, please refer to Note 10.

B. Changes in financial assets at fair value through profit or loss are as follows:

	For the six-month period ended June 30, 2007	
	Gain/Loss on disposal	Gain/Loss on valuation
Open-end mutual funds beneficiary certificates	$ 48,627	$ 3,294
Trading securities - dealer	789,826	(214,284)
Trading securities - underwriter	51,633	(1,181)
Trading securities - hedging	16,609	69,756
Total	$ 906,695	($ 142,415)

	For the six-month period ended June 30, 2006	
	Gain/Loss on disposal	Gain/Loss on valuation
Open-end mutual funds beneficiary certificates	$ 28,385	$ 4,513
Trading securities - dealer	396,400	8,061
Trading securities - underwriter	7,991	36,153
Trading securities - hedging	(24,456)	(14,656)
Total	$ 408,320	$ 34,071

2) AVAILABLE-FOR-SALE FINANCIAL ASSETS

Investees	June 30, 2007 Amount	June 30, 2007 Percentage of ownership	June 30, 2006 Amount	June 30, 2006 Percentage of ownership
Unlisted stocks				
Taiwan Securities Central Custody Depository Co., Ltd.	$ 2,450	0.24%	$ 2,450	0.24%
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%	15,395	5.27%
	$ 141,845		$ 141,845	

3) BONDS PURCHASED UNDER RESALE AGREEMENTS

As of June 30, 2007 and 2006, bonds purchased under resale agreements were due within one year. Annual interest rates for bonds were 0.9999%~1.97% and 0%~1.49% for the six-month periods ended June 30, 2007 and 2006, respectively, except for the interest rates of government bonds 96-2 was -8%~10% and Singatron 1 bonds was 3% for the six-month period ended June 30, 2007 and the interest rates of government bonds 94-4, 95-1 were -0.5%~0.5% for the six-month period ended June 30, 2006.

4) MARGIN LOANS RECEIVABLE

Margin loans receivable are secured by the securities purchased by customers under margin loans. For the six-month periods ended June 30, 2007 and 2006, the annual interest rates were 6.65%.

5) ACCOUNTS RECEIVABLE

	June 30, 2007	June 30, 2006
Accounts receivable-bonds	$ -	$ 5,372,697
Others	72,759	811,013
	72,759	6,183,710
Less: Allowance for bad debts	(213)	(1,289)
	$ 72,546	$ 6,182,421

6) INVESTMENTS ACCOUNTED FOR UNDER THE EQUITY METHOD

	June 30, 2007		June 30, 2006	
	Amount	Percentage of ownership	Amount	Percentage of ownership
President Futures Corporation	$ 840,839	94.66%	$ 832,149	94.66%
President Securities (HK) Limited	59,789	5.19%	47,388	5.19%
President Capital Management Corporation	297,077	100.00%	292,693	100.00%
President Securities (BVI) Limited	1,497,749	100.00%	1,307,536	100.00%
President Investment Trust Co. Ltd.	372,428	28.66%	442,459	28.66%
President Personal Insurance Agency Co., Ltd.	4,948	100.00%	-	-
	$ 3,072,830		$ 2,922,225	

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. Except for President Personal Insurance Agency Co., Ltd. on which the Company recognized an investment loss of $44, the Company recognized long-term investment income of $126,526 and $48,515 for the six-month periods ended June 30, 2007 and 2006, respectively, under the equity method based on the investees' audited financial statements.

C. In accordance with R.O.C. SFAS No. 35, an impairment loss of $22,129 and $19,039 were recognized on a certain investment accounted for under the equity method for the six-month periods ended June 30, 2007 and 2006, respectively.

D. Majority–owned or controlled subsidiaries are included in the consolidated financial statements.

7) SHORT-TERM LOANS

	June 30,	
	2007	2006
Secured loans	$ 5,780,000	$ 5,565,000
Credit loans	1,400,000	-
	$ 7,180,000	$ 5,565,000
Interest rates	1.84%~3.80%	1.58%~1.71%

8) COMMERCIAL PAPERS PAYABLE

	June 30,	
	2007	2006
Face value	$ 6,850,000	$ 4,900,000
Less: Discount	(6,980)	(3,518)
	$ 6,843,020	$ 4,896,482
Interest rates	1.67%~4.55%	1.26%~1.59%

The commercial papers payable were secured by a bills-financing institution.

9) BONDS SOLD UNDER REPURCHASE AGREEMENTS

As of June 30, 2007 and 2006, except for the international bonds with interest rates ranging from 5.445% to 5.455%, bonds sold under repurchase agreements were due within one year with annual interest rates ranging from 1.75% to 3.9% and -0.2% to 1.61%, respectively.

10) FINANCIAL INSTITUTION ASSET SECURITIZATION

A. On September 29, 2006, the Company sold bonds totaling $7,569,542 to a financial institution under asset securitization for the issuance of beneficiary certificates in the amount of $3,800,000 of NT dollar-denominated bonds and USD115,400,000 of foreign bonds. In accordance with R.O.C. SFAS No. 33, the Company transfers bonds held as well as related rights and obligations to trustees as the basis to issue beneficiary certificates and receives funds raised thereon. Under the transaction structure, the transaction is deemed as a sale since the Company loses control over the transferred assets. The proceeds amounting to $15,970 have been fully received.

B. The abovementioned bonds are guaranteed. If there are any changes, the Company will pay in cash to repurchase the proceeds within 10 business days upon receipt of advice from the trustees.

11) FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	June 30, 2007	June 30, 2006
Financial liabilities held for trading:		
Bonds purchased under resale agreements - securities financing	$ 1,764,675	$ 986,478
Adjustment of bonds purchased under resale agreements - securities financing	(7,846)	1,603
	1,756,829	988,081
Borrowed securities		
Borrowed securities payable - non-hedging	-	3,057,604
Adjustment of borrowed securities payable - non-hedging	-	-
	-	3,057,604
Warrants	1,080,724	94,658
Loss (Gain) on price fluctuation	(68,240)	4,795
Market value (A)	1,012,484	99,453
Repurchase of warrants	(682,333)	(44,141)
Loss on price fluctuation	(10,667)	(2,682)
Market value (B)	(693,000)	(46,823)
Warrants-net (A+B)	319,484	52,630
Liabilities for sale of options - futures	141,230	17,096
Derivative financial instrument liabilities - OTC	211,951	64,877
Total	$ 2,429,494	$ 4,180,288

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

B. The warrants carry an American-option and have six months to nine months 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, 2007 are as follows:

		Warrants (in NT Dollars)				
Warrants	Units Issued	Underlying Securities	Issuance Date	Issuance Price	Market Value	Strike Price
PRESIDENT 94	20,000,000	YL	96.09.27	$ 0.314	$ 0.250	$ 49.50
PRESIDENT 99	20,000,000	Faraday	95.11.02	0.490	7.700	70.88
PRESIDENT A2	20,000,000	FOXLINK	95.11.07	1.408	0.110	174.00
PRESIDENT A3	20,000,000	RUENTEX DEVELOP	95.11.10	0.375	0.120	40.20
PRESIDENT A4	20,000,000	EPISTAR	95.11.14	1.036	2.580	123.30
PRESIDENT A5	20,000,000	ASUSTEK	95.11.21	0.744	0.200	124.50
PRESIDENT A7	20,000,000	TYG	95.12.07	0.400	0.600	39.45
PRESIDENT A8	20,000,000	FPCC	95.12.07	0.498	1.450	103.50
PRESIDENT B1	20,000,000	SKFH	95.12.28	0.239	0.090	51.45
PRESIDENT B2	20,000,000	FRG	96.01.09	2.220	0.450	34.65
PRESIDENT B3	20,000,000	TCB	96.01.09	1.210	0.010	36.60
PRESIDENT B4	20,000,000	MEGA FHC	96.01.16	1.782	0.230	32.78
PRESIDENT B5	20,000,000	MEGA FHC	96.01.16	0.127	0.060	14.57
PRESIDENT B6	20,000,000	NOVATEK	96.01.16	1.762	0.220	192.60
PRESIDENT B7	20,000,000	HON HAI	96.01.25	2.251	3.890	371.25
PRESIDENT B8	20,000,000	CSC	96.01.25	1.425	0.800	50.25
PRESIDENT B9	20,000,000	MVI	96.04.19	0.620	0.580	66.60
PRESIDENT C1	20,000,000	WINTEK CORP.	96.05.07	0.630	1.410	40.50
PRESIDENT C2	20,000,000	KINIK	96.05.14	1.352	1.270	183.00
PRESIDENT C3	20,000,000	CAL	96.05.24	0.210	0.190	21.90
PRESIDENT C4	20,000,000	ASE	96.05.25	0.310	0.390	59.55
PRESIDENT C6	20,000,000	PPt	96.05.28	0.570	0.730	54.15
PRESIDENT C5	20,000,000	EMC	96.05.25	0.586	0.710	32.18
PRESIDENT C7	20,000,000	MIC	96.06.01	0.377	0.290	64.43
PRESIDENT C8	20,000,000	ASUSTEK	96.06.12	0.310	0.640	131.85
PRESIDENT C9	20,000,000	TSMC	96.06.12	0.339	0.510	98.40
PRESIDENT D1	20,000,000	T.JOIN	96.06.13	0.805	0.680	32.25
PRESIDENT D2	20,000,000	PTI	96.06.13	1.570	1.590	190.50
PRESIDENT D3	20,000,000	PI	96.06.13	1.270	0.910	129.45
PRESIDENT D4	20,000,000	AVTECH	96.06.13	0.350	0.210	321.00
PRESIDENT D5	20,000,000	WTC	96.06.15	0.187	0.270	27.75
PRESIDENT D6	20,000,000	FOXLINK	96.06.15	0.898	1.280	162.00
PRESIDENT D7	20,000,000	NTC	96.06.15	0.329	0.420	42.83
PRESIDENT D8	20,000,000	COMPEQ MFG.	96.06.20	0.750	1.220	20.63
PRESIDENT D9	20,000,000	Transcend	96.06.20	1.288	1.180	201.75
PRESIDENT E1	20,000,000	HOLY STONE	96.06.20	0.603	0.630	87.75
PRESIDENT E2	20,000,000	ESMT	96.06.21	1.377	1.260	125.25

Warrants	Units Issued	Warrants (in NT Dollars) Underlying Securities	Issuance Date	Issuance Price	Market Value	Strike Price
PRESIDENT E3	20,000,000	FFHC	96.06.22	$ 0.522	$ 0.520	$ 35.55
PRESIDENT P7	20,000,000	Ardentec	95.12.14	0.450	0.410	39.15
PRESIDENT P8	20,000,000	GMTC	95.12.14	0.600	0.520	69.30
PRESIDENT P9	5,000,000	MOTECH	96.01.03	5.558	1.750	610.50
PRESIDENT Q1	30,000,000	Etron	96.01.11	0.400	0.070	52.50
PRESIDENT Q2	8,000,000	WALTON	96.01.18	1.800	0.180	35.85
PRESIDENT Q3	10,000,000	YUFO	96.04.04	1.015	0.510	105.75
PRESIDENT Q4	5,000,000	VIVOTEK	96.04.04	2.210	3.200	222.75
PRESIDENT Q5	10,000,000	ENFIELD	96.04.20	1.047	1.700	94.50
PRESIDENT Q6	20,000,000	PSC	96.06.20	0.314	0.170	30.15
PRESIDENT Q7	10,000,000	GPM	96.05.04	0.577	0.220	47.70
PRESIDENT Q8	15,000,000	GBM	96.05.04	0.656	0.450	85.05
PRESIDENT Q9	10,000,000	LIGITEK	96.05.15	1.250	0.900	64.80
PRESIDENT R1	15,000,000	RDC	96.05.15	0.351	0.640	346.50
PRESIDENT R2	10,000,000	VIS	96.05.16	0.505	0.540	45.90
PRESIDENT R3	10,000,000	YTEC	96.05.23	0.994	1.420	140.70
PRESIDENT R4	7,500,000	Alcor Micro	96.05.23	3.358	4.400	305.25
PRESIDENT R5	20,000,000	IGS	96.05.24	0.620	0.490	491.25
PRESIDENT R6	10,000,000	IBASE	96.05.24	1.723	1.550	155.25
PRESIDENT R7	12,000,000	EPISIL	96.06.11	1.110	1.320	51.75
PRESIDENT R8	10,000,000	Cipher LAB	96.06.11	1.060	1.100	128.85
PRESIDENT R9	5,000,000	ATC	96.06.11	4.820	4.350	436.50
PRESIDENT S1	10,000,000	SAS	96.06.14	2.280	2.820	291.00
PRESIDENT S2	12,000,000	KENMEC	96.06.14	1.700	2.850	64.65
PRESIDENT S3	15,000,000	POWERTECH	96.06.14	1.320	1.430	116.85
PRESIDENT S4	10,000,000	TE	96.06.21	1.080	1.150	61.80
PRESIDENT S5	6,000,000	PVI	96.06.21	2.120	2.620	48.37
PRESIDENT S6	20,000,000	PSC	96.06.22	0.328	0.330	30.60
PRESIDENT S7	10,000,000	MOTECH	96.06.22	0.486	0.490	654.00

12) OTHER PAYABLES

	June 30, 2007	June 30, 2006
Dividends payable	$ 1,023,365	$ 715,593
Income tax payable	1,060,370	1,127,913
Salaries payable	434,893	281,105
Remunerations payable	44,884	22,598
Bonus payable	30,130	15,272
Other payables	350,697	198,459
	$ 2,944,339	$ 2,360,940

13) OTHER FINANCIAL LIABILITIES - CURRENT

	June 30, 2007	June 30, 2006
ELN - Options	$ 10,000	$ 303
ELN - fixed income	-	9,697
PGN - fixed income	260,849	92,297
	$ 270,849	$ 102,297

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 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, 2007, the interest rate was 0%.

D. As of June 30, 2007, 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 refer to Note 10 (5(D)).

15) PENSION PLAN

A. The Company has a defined benefit plan under the Labor Standards Law which provides benefits based on an employees' length of service and average salary or wage of the last 6 months prior to retirement. Two units are accrued for each year of service for the first 15 years and one unit for each additional year of service thereafter, with a maximum of 45 units. The Company contributes monthly an amount equal to 4.4% 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, 2007 and 2006, the Company recognized net periodic pension cost of $8,831 and $6,669, respectively. The fund balance was $315,176 and $282,728 as of June 30, 2007 and 2006, respectively.

B. Effective July 1, 2005, the Company established the defined contribution plan for 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 pension 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 $23,812 and $20,793 under the New Plan for the six-month periods ended June 30, 2007 and 2006, respectively.

16) 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 up to a maximum reserve balance of $200,000.

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).

17) 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 on 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.

18) <u>COMMON STOCK</u>

A. The shareholders at their annual meeting on June 15, 2007 adopted a resolution to issue 39,797,500 shares of common stocks at par value to capitalize unappropriated earnings of $397,975, with an effective date of August 8, 2007.

B. As of June 30, 2007 and 2006, the Company's authorized capital was $15,000,000. The Company's issued common stocks were both 1,137,072,000 shares, and the outstanding common stocks were 1,137,072,000 and 1,132,435,000 shares as of June 30, 2007 and 2006, respectively, with a par value of $10 (dollars) per share. For treasury stock transactions, please refer to Note 4 (23).

C. Based on the resolution of the Board of Directors dated June 9, 2006, the Company retired 3,427,000 shares of treasury stock, with an effective date of June 26, 2006. The Company's retired shares were registered on July 10, 2006. The amount of retired common stock and capital reserve were $34,270 and $11,988, respectively.

19) <u>CAPITAL RESERVE</u>

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.

20) <u>LEGAL RESERVE</u>

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.

21) <u>SPECIAL RESERVE</u>

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 contra accounts from the unappropriated earnings balance in the stockholders’ equity account.

22) <u>UNAPPROPRIATED EARNINGS</u>

A. In accordance with the Company's Articles of Incorporation, the current year's earnings after paying all taxes and offsetting prior years’ operating losses, if any, shall be set aside as legal reserve and special reserve. In addition, an amount shall be appropriated from the remaining net income following a resolution approved by the Company's stockholders during their meeting 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 shall be in the form of stock dividends only.

D. The stockholders during their meeting approved the resolution to distribute cash dividends of NT$0.9 (in dollars) and NT$0.63 (in dollars) and stock dividends of NT$0.35 (in dollars) and NT$0 (in dollars) per share for 2007 and 2006, respectively.

23) TREASURY STOCK

A. Details of treasury stock transactions for the six-month period ended June 30, 2007:

(In thousands of shares)

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

The above treasury stocks were transferred to employees on January 26, 2007. The gain was $3,108 and credited to capital reserve – treasury stock.

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

(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

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

24) INCOME TAX

A. Income tax expense and payable are reconciled as follows:

	June 30, 2007		June 30, 2006	
Income tax payable	$	1,060,370	$	1,127,913
Prepaid income tax		9,176		18,725
Net effect of deferred tax assets		30,134		8,517
(Over) under provision of prior year's income tax	(	38,785)		7,780
Unpaid amount of prior year's income tax	(	907,087)	(	965,157)
Tax on separately taxed income		840		568
Income tax expense - current		154,648		198,346
Retention tax (10%) on unappropriated earnings		-		1,617
Income tax expense	$	154,648	$	199,963

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

	June 30, 2007		June 30, 2006	
Temporary differences	Amount	Tax effect	Amount	Tax effect
Current:				
- Bad debts	$ 78,020	$ 19,505	$ 241,472	$ 60,368
- Gain on valuation of financial instruments	79,899	19,975	-	-
- Others	943	236	(23,762)	(5,940)
		$ 39,716		$ 54,428
Non-current:				
- Unrealized loss on default	$ 177,568	$ 44,392	$ 177,568	$ 44,391
- Others	10,189	2,548	7,626	1,907
		$ 46,940		$ 46,298

C. Imputation tax system

	June 30, 2007	June 30, 2006
Balance of imputation credit account	$ 329,376	$ 162,455
	2006	2005
Estimated rate of imputation credit account	15.13%	16.36%
	(Estimated)	(Actual)

D. Unappropriated earnings

	June 30,	
	2007	2006
Before 1998	$ 10,497	$ 10,497
1998 and onwards	1,352,890	811,890
	$ 1,363,387	$ 822,387

E. As of June 30, 2007, the Company's income tax returns through 2004 have been assessed by the Tax Authority.

F. The Tax Authority imposed additional income tax in the amount of $534,791 for 1998 to 2004. The Company contested the assessment and provided time deposits as security for the appeal. As of June 30, 2007, the appeal is still pending, however, the Company has accrued the additional tax in the financial statements.

25) EARNINGS PER SHARE

The shareholders at their 2007 annual meeting adopted a resolution of non-compensated distribution of shares, with an effective date of August 8, 2007. The earnings per share for 2007 and 2006 was calculated based on the average outstanding common stocks of 1,176,229,000 and 1,173,095,000 shares, respectively.

26) SECURITIES BROKERAGE ACCOUNTS - NET

	June 30,	
	2007	2006
Debits:		
Cash in bank - settlement	$ 95,698	$ 4,659
Accounts receivable		
- customers' purchases	6,940,684	4,139,264
Net exchange clearing receivable	946,095	928,575
Accounts receivable - settlement	4,270,134	1,873,228
	12,252,611	6,945,726
Credits:		
Accounts payable	(7,251,436)	(4,578,309)
Accounts payable - settlement	(4,171,762)	(1,953,539)
Net exchange clearing payable	(720,578)	(292,285)
	(12,143,776)	(6,824,133)
Securities brokerage accounts - net	$ 108,835	$ 121,593

27) PERSONNEL, DEPRECIATION AND AMORTIZATION EXPENSES

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

	For the six-month period ended June 30, 2007				
Nature/ Function	Brokerage	Dealing	Underwriting	Administration	Total
Personnel Expenses					
Salaries	$ 558,143	$ 25,982	$ 23,084	$ 278,092	$ 885,301
Insurance	29,181	2,031	1,899	3,704	36,815
Pension	27,877	1,381	1,080	2,305	32,643
Others	21,079	1,657	1,052	12,328	36,116
Depreciation (Note)	23,946	2,603	2,217	7,917	36,683
Amortization	-	-	-	1,430	1,430

	For the six-month period ended June 30, 2006				
Nature/ Function	Brokerage	Dealing	Underwriting	Administration	Total
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 (Note)	29,745	2,623	2,534	6,210	41,112
Amortization	-	-	-	1,430	1,430

Note：Depreciation on rental assets for the six-month periods ended June 30, 2007 and 2006 was $1,979 and $1,537, respectively, and was recorded as non-operating expense.

28) FINANCIAL STATEMENT PRESENTATION

Certain accounts in the 2006 financial statements were reclassified to conform with the 2007 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 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 Personal Insurance Agency Co., Ltd.	A majority-owned subsidiary
President Financial Management (HK) Ltd. (Note 1)	An indirectly-owned subsidiary
President Securities (Nominee) Limited	An indirectly-owned subsidiary
President Chain Store Corp. (PCSC)	Affiliated Company
President International Development Corp. (PIDC)	Affiliated Company
President Pharmaceutical Corporation	Affiliated Company
Presitex Co., Ltd.	Affiliated Company
Allianz President Life Insurance Corp. (AZPL) (Note 2)	Affiliated Company
ScinoPharm Taiwan Ltd.	Affiliated Company
TONYI Corporation	Affiliated Company
MOSPEC SEMICONDUCTOR CORP.	Affiliated Company

Note 1: Formerly President futures (HK) Limited.

Note 2: The relationship was terminated on January, 2007.

2) Significant related party transactions

A. Financial assets at fair value through profit or loss – current

Futures security deposits receivable

	For the six-month periods ended June 30,	
	2007	2006
PFC	$ 919,421	$ 608,084

The futures deposits are used for futures transactions.

B. Commission income - Futures

	For the six-month periods ended June 30,	
	2007	2006
PFC	$ 34,812	$ 53,354

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

C. Rent revenue

	For the six-month periods ended June 30,	
	2007	2006
UNI-President Enterprises Corp.	$ 13,077	$ 13,044
Others	6,446	5,063
	$ 19,523	$ 18,107

The rent was determined based on negotiation between the parties, and payable quarterly during the contract period.

D. Sales of trading securities - bonds (Before the relationship between AZPL and the Company was terminated: None)

	For the six-month period ended June 30, 2006		
	Sale price	Cost	Loss
AZPL	$ 150,000	$ 149,407	$ 60

The cost was determined based on negotiation between the parties. The variance between the contracted price and the cost is recognized in profit or loss.

E. Purchases of trading securities - bonds (Before the relationship between AZPL and the Company was terminated: None)

	For the six-month periods ended June 30,	
	2007	2006
AZPL	$ 1,019,200	$ 1,235,766

The above transaction was made under regular terms.

F. Bonds sold under repurchase agreements

	June 30, 2007		June 30, 2006	
	Interest rate	Balance	Interest rate	Balance
PFC	-	$ -	1.300%~1.400%	$ 20,000
		$ -		$ 20,000

The interest rates of the above transactions were based on market quotes.

G. Purchases of trading securities - dealer

	For the six-month period ended June 30, 2007		
	Shares	Balance	Gain/Loss
UNI-President	-	$ -	($ 7,460)
TONYI	-	-	(1,362)
MOSPEC	-	-	(333)
		$ -	($ 9,155)

	For the six-month period ended June 30, 2006		
	Shares	Balance	Gain/Loss
UNI-President	400,000	$ 10,503	($ 1,945)
PCSC	-	-	(289)
TONYI	-	-	237
		$ 10,503	($ 1,997)

6. PLEDGED ASSETS

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

Assets	June 30, 2007	June 30, 2006	Purpose
Financial assets at fair value through profit or loss - current			
Trading securities (par value)			
- Corporate bonds	$ 270,000	$ 4,200,700	Securities for bonds sold under repurchase agreements
- Government bonds	1,342,000	4,400,000	Securities for bonds sold under repurchase agreements
- Financial bonds	1,050,000	5,465,000	Securities for bonds sold under repurchase agreements
- International bonds	592,692	-	Securities for bonds sold under repurchase agreements
Financial assets at fair value through - non-current (par value)			
- Government bonds	1,050,000	2,250,000	Securities for issuance of bonds
Other financial assets - non-current (par value)			
- Others (Note)	1,200,000	-	Securities for issuance of bonds
Restricted assets			
- Demand deposits	62,591	53,931	Collections on behalf of third parties and reimbursement for wages and compensation and for short-terms loans
- Pledged time deposits	1,566,000	1,781,000	Securities for short-term loans and guarantees for issuance of commercial papers
Fixed Assets			
- Land and buildings (book value)	1,399,775	1,438,074	Securities for short-term loans and guarantees for issuance of commercial papers
Other assets			
- Operating guarantee deposits	700,000	680,000	Security deposits
- Exchange clearing deposits	50,000	50,000	Security deposits
- Deposits-out	74,000	257,000	Additional corporate income taxes
	-	160,000	Guarantee for default customers' properties held
Rental assets			
- Land and buildings (book value)	39,506	39,748	Securities for short-term loans and guarantees for issuance of commercial papers

7. SIGNIFICANT COMMITMENTS AND CONTINGENT LIABILITIES

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

Year	Amount
2007(July~December)	$ 48,492
2008	78,322
2009	54,665
2010	45,193
2011 and onwards	31,836
	$ 258,508

2) The Company filed a lawsuit against a former employee for unauthorized selling of the client's stocks.

3) For guarantees provided to the income tax administrative appeal, please refer to Note 4 (24).

4) The Company has provided the Taiwan Stock Exchange Corporation and GreTai Securities Market with bankers' letters of guarantee in the amount of $1,000,000 as security for issuance of warrants.

8. SIGNIFICANT LOSS FROM NATURAL DISASTER

NONE

9. SIGNIFICANT SUBSEQUENT EVENTS

On July 12, 2007, the Company increased the capital of President Securities (BVI) Limited by issuing 25,000,000 shares at USD1 per share amounting to $819,550.

10. OTHER EVENTS

1) The fair values of the financial instruments

	June 30, 2007		
		Fair value	
	Book value	Quotations in an active market	Estimated using a valuation method
Non-derivative financial instruments			
Financial assets with fair value equal to book value	$ 25,374,031	$ -	$ 25,374,031
Financial assets for trading purposes - current	16,826,009	16,826,009	-
Available-for-sale financial assets - non-current	141,845	-	141,845
Financial assets for trading purposes - non-current	1,063,104	1,063,104	-
Operating guarantee deposits	700,000	-	700,000
Exchange clearing deposits	332,779	-	332,779
Deposits-out	140,047	-	137,470
Derivative financial instruments			
Buy option - futures	4,079	4,079	-
Futures guarantee deposits receivable	919,421	-	919,421
Derivative financial instrument assets - OTC	143,114	143,114	-
	$ 45,644,429	$ 18,036,306	$ 27,605,546
Non-derivative financial instruments			
Financial liabilities with fair value equal to book value	$ 29,279,298	$ -	$ 29,279,298
Financial liabilities for trading purposes (excluding derivative financial instruments)	1,756,829	1,756,829	-
Bonds payable	2,000,000	-	2,000,000
Derivative financial instruments			
Call option - futures	141,230	141,230	-
Warrants	1,012,484	1,012,484	-
Repurchase of warrants	(693,000)	(693,000)	-
Derivative financial instrument liabilities - OTC	211,951	211,951	-
Other financial liabilities - current	270,849	270,849	-
	$ 33,979,641	$ 2,700,343	$ 31,279,298

	June 30, 2006		
		Fair value	
	Book value	Quotations in an active market	Estimated using a valuation method
Non-derivative financial instruments			
Financial assets with fair value equal to book value	$ 32,411,246	$ -	$ 32,411,246
Financial assets for trading purposes - current	19,785,281	19,785,281	-
Available-for-sale financial assets - non-current	141,845	-	141,845
Financial assets for trading purposes - 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	-
	$ 57,262,126	$ 22,583,859	$ 34,677,781
Non-derivative financial instruments			
Financial liabilities with fair value equal to book value	$ 39,839,649	$ -	$ 39,839,649
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	-
	$ 46,122,234	$ 4,282,585	$ 41,839,649

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, Receivables from refinancing security, Notes receivable, Accounts receivable, Other receivables, Restricted assets, Securities brokerage debit accounts-net, Short–term loans, Commercial papers payable, Bonds sold under repurchase agreements, Deposit on short sales, Short sale proceeds payable, Borrowed securities payable-hedged, Accounts payable, Collections on behalf of third parties, Other payables, 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 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 was 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, 2007, the financial assets and financial liabilities with fair value risk due to the change of interest amounted to $32,897,933 and $29,068,338, respectively, and the financial liabilities with cash flow risk due to the change of interest amounted to $143,114.

3) For the six-month period ended June 30, 2007, total interest income and total interest expense on financial assets or financial liabilities that are not at fair value through profit or loss amounted to $569,938 and $230,573, respectively.

4) Procedure of financial risk control hedge

The Company'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 Company's overall risk management program focuses on the unpredictability of financial performance. The Company 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 risks;

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; and

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 risks faced by the Company include 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 generated 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 on 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 instruments	June 30, 2007 Fair value	June 30, 2006 Fair value
Assets:		
Buy option - futures	$ 4,079	$ 20,502
Futures guarantee deposits receivable	919,421	608,084
Interest rate swap contracts	143,114	528,974
Options - asset swaps	-	-
Bond options	-	3,485
ELN-Options	-	41
	$ 1,066,614	$ 1,161,086
Liabilities:		
Warrants	$ 319,484	$ 52,630
Sell option - futures	141,230	17,096
Borrowed securities payable	-	3,057,605
Asset swap options	201,395	59,576
Bond options	3,463	2,143
PGN-Options	-	3,158
Interest rate swap contracts	651	-
Structured notes	6,442	-
ELN liabilities:		
- Option money (Note)	10,000	303
- Fixed income securities (Note)	-	9,697
PGN liabilities:		
- Fixed income securities (Note)	260,849	92,297
	$ 943,514	$ 3,294,505

Note: Recorded as “Other Financial Liabilities”.

B) The Company's derivative financial instruments were as follows:

	For the six-month period ended June 30, 2007	
	Gain (loss) on derivative financial assets - OTC	Unrealized gain (loss) included
Interest rate swaps - non-hedging	$ 112,443	$ 118,046
Options - asset swaps	(139,205)	(82,716)
Investment loss before treasury bonds issued	53,653	-
Equity - linked note	(138)	(138)
Principal guaranteed note	(2,107)	-
Bond options - non-hedging	1,876	2,955
Buy options - hedging	(3,549)	222
	$ 22,973	$ 38,369

	For the six-month period ended June 30, 2006	
	Gain (loss) on derivative financial assets - OTC	Unrealized gain (loss) included
Interest rate swaps - non-hedging	$ 119,552	$ 77,622
Interest rate swaps - hedging	710	-
IRS asset swaps	85,424	-
Options - asset swaps	3,341	19,422
Transaction before treasury bonds issued	2,735	-
Equity - linked note	(3,697)	(3,697)
Principal guaranteed note	(1,053)	(468)
Bond options - non-hedging	(11,950)	2,896
	$ 195,062	$ 95,775

C) Information of financial instruments

a) Trading of futures

The list of deposits for trading futures:

	June 30,	
	2007	2006
Futures security deposits receivable	$ 919,421	$ 608,084
Excess security deposits	$ 533,199	$ 544,724

Gain (loss) on derivative financial assets – Futures of futures department - dealer:

	June 30, 2007	June 30, 2006
Gain on futures contract	$ 177,686	$ 31,014
Gain on trading options	(92,203)	(29,928)
	$ 85,483	$ 1,086

Gain (loss) on derivative financial assets – Futures of futures department - hedging:

	June 30, 2007	June 30, 2006
Gain (loss) on futures contract - realized	$ 2,000	($ 764)
Gain (loss) on futures contract - unrealized	-	478
	$ 2,000	($ 286)

b) Warrants

For information relating to issuance of warrants: please refer to Note 4 (11).

c) Convertible bond asset swaps and options

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. As of June 30, 2007 and 2006, notional principal of convertible bond options sold were $688,700 and $302,200, respectively.

d) Interest rate swap contracts

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. As of June 30, 2007 and 2006, the nominal principals were $142,440,000 and $96,908,000, respectively.

e) Structured notes

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. As of June 30, 2007 and 2006, the nominal principals of ELN were $10,000 and $10,000, respectively and the nominal principals of PGN were $261,000 and $93,600, respectively.

f) Bond options

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. As of June 30, 2007 and 2006, the nominal principals of bond options purchased were $0 and $4,500,000, respectively, and the nominal principals of bond options sold were $3,200,000 and $3,750,000, respectively.

D) 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 2007. 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.

	June 30, 2007	VaR		
		Mean	Minimum	Maximum
Equity securities	$ 76,633	$ 80,799	$ 65,512	$ 102,555
Fixed income securities	4,459	6,438	1,275	22,957
Derivatives	40,427	24,895	13,672	48,954
Hybrid instruments	30,543	14,788	9,176	30,543
Sum	152,062	126,920	105,705	160,940
Benefits resulting from diversification	(69,955)	(43,541)	(21,047)	(86,784)
Total VaR	82,107	83,378	66,148	112,201

b) Credit risk

(A) Failure to deliver risk

Failure to deliver 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 transactions is insufficient in the market such that the Company will experience difficulty in disposing its position within 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 refer 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, 2007 and 2006, the instruments employed and hedged items are as follows:

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

Hedge item	Designated hedging instrument: Financial instrument designated as hedging instrument	Designated hedging instrument: Fair value June 30, 2007	Designated hedging instrument: Fair value June 30, 2006	Period of anticipated cash flow	Period of gain (loss) recognized in income statement
Bonds payable	Interest Rate Swap	($ 651)	($ 651)	By contracts	Recognized over the period

Items	June 30, 2007	June 30, 2006
Amount removed from equity and recognized in profit or loss	$ 108	($ 651)