# PRESIDENT SECURITIES CORPORATION
# NON-CONSOLIDATED FINANCIAL STATEMENTS
# AND REPORT OF INDEPENDENT ACCOUNTANTS
# JUNE 30, 2008 AND 2007

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For the convenience of readers and for information purpose only, the auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. In the event of any discrepancy between the English version and the original Chinese version or any differences in the interpretation of the two versions, the Chinese-language auditors' report and financial statements shall prevail.

<u>Report of Independent Accountants Translated from Chinese</u>

PWCR07000519

To the Board of Directors and Shareholders of President Securities Corporation

We have audited the accompanying non-consolidated balance sheets of President Securities Corporation as of June 30, 2008 and 2007, 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, 2008 and 2007, 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 audited 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, 2008 and 2007. In our report dated August 20, 2008, we expressed an unqualified opinion on the consolidated financial statements.

*PricewaterhouseCoopers*

August 20, 2008

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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 generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying non-consolidated financial statements and report of 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.

As the financial statements are the responsibility of the management, PricewaterhouseCoopers cannot accept liability for the use of, or reliance on, the English translation or for any errors or misunderstanding that may derive from the translation.

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

| | 2008 | | 2007 | | | 2008 | | 2007 | |
|---|---|---|---|---|---|---|---|---|---|
| | Amount | % | Amount | % | | Amount | % | Amount | % |
| ASSETS | | | | | LIABILITIES AND SHAREHOLDERS' EQUITY | | | | |
| Current Assets | | | | | Current Liabilities | | | | |
| Cash and cash equivalents | $ 639,030 | 1 | $ 750,470 | 2 | Short-term loans (Note 4 (6)) | $ 4,663,000 | 10 | $ 7,180,000 | 14 |
| Financial assets at fair value through profit or loss - current (Notes 4 (1), 5, 6 and 10) | 13,410,329 | 28 | 17,892,623 | 34 | Commercial papers payable (Note 4 (7)) | 4,243,988 | 9 | 6,843,020 | 13 |
| Bonds purchased under resale agreements (Notes 4 (3) and 10) | 5,488,213 | 11 | 3,203,157 | 6 | Bonds sold under repurchase agreements (Notes 4 (8), 5, 6 and 10) | 5,686,353 | 12 | 8,196,697 | 15 |
| Margin loans receivable (Note 4 (4)) | 17,750,433 | 37 | 19,234,249 | 36 | Financial liabilities at fair value through profit or loss (Notes 4 (10) and 10) | 1,724,166 | 4 | 2,429,494 | 5 |
| Refinancing security deposits | - | - | 1,891 | - | Deposits on short sales | 911,698 | 2 | 1,387,496 | 3 |
| Receivables from refinance guaranty | 348 | - | 2,188 | - | Short sale proceeds payable | 1,064,793 | 2 | 1,704,296 | 3 |
| Receivables from security lending | 28,018 | - | - | - | Accounts payable | 90,729 | - | 793,885 | 1 |
| Security lending deposits | 25,306 | - | - | - | Advance receipts | 503 | - | 2,277 | - |
| Notes receivable | 2,968 | - | 2,056 | - | Collections on behalf of third parties | 222,612 | - | 227,317 | - |
| Accounts receivable - net | 801,593 | 2 | 72,546 | - | Other payables (Notes 4 (11)(24)) | 2,907,653 | 6 | 2,944,339 | 6 |
| Prepayments | 32,785 | - | 20,062 | - | Deferred tax liabilities - current (Note 4 (24)) | 68,497 | - | - | - |
| Other receivables | 528,140 | 1 | 370,048 | 1 | Long-term liabilities - current portion (Notes 4 (13) and 10) | 2,000,000 | 4 | - | - |
| Restricted assets (Note 6) | 1,684,880 | 3 | 1,628,591 | 3 | Other financial liabilities - current (Note 4 (12)) | 235,413 | - | 270,849 | - |
| Deferred tax assets - current (Note 4 (24)) | - | - | 39,716 | - | | 23,819,405 | 49 | 31,979,670 | 60 |
| | 40,392,043 | 83 | 43,217,597 | 82 | Long-term Liabilities | | | | |
| | | | | | Bonds payable (Notes 4 (13) and 10) | 2,756,958 | 6 | 2,000,000 | 4 |
| Funds and Investments | | | | | Long-term loans (Note 4 (13)) | 3,178,784 | 6 | - | - |
| Equity investments-equity method (Note 4 (5)) | 3,488,663 | 7 | 3,072,830 | 6 | | 5,935,742 | 12 | 2,000,000 | 4 |
| Available-for-sale financial assets (Note 4 (2)) | 135,845 | - | 141,845 | - | Other Liabilities | | | | |
| Financial assets at fair value through profit or loss-non-current (Notes 4 (1) and 6) | - | - | 1,063,104 | 2 | Reserve for default (Note 4 (16)) | 200,000 | 1 | 200,000 | 1 |
| Other financial assets - non-current (Note 6) | - | - | 1,212,353 | 2 | Reserve for trading loss (Note 4 (17)) | 49,723 | - | 161,665 | - |
| | 3,624,508 | 7 | 5,490,132 | 10 | Deposits-in | 5,899 | - | 2,248 | - |
| Fixed Assets (Note 6) | | | | | | 255,622 | 1 | 363,913 | 1 |
| Land | 1,434,274 | 3 | 1,434,274 | 2 | Total Liabilities | 30,010,769 | 62 | 34,343,583 | 65 |
| Buildings | 903,194 | 2 | 907,767 | 2 | SHAREHOLDERS' EQUITY | | | | |
| Equipment | 522,978 | 1 | 520,796 | 1 | Capital (Note 4 (18)) | | | | |
| Prepayments for equipment | 9,009 | - | 206 | - | Common stock | 11,768,695 | 24 | 11,370,720 | 21 |
| Leasehold improvements | 46,365 | - | 37,049 | - | Stock dividend distributable | 388,367 | 1 | 397,975 | 1 |
| Less: Accumulated depreciation | ( 653,740) | ( 1) | ( 654,878) | ( 1) | Additional paid-in capital (Note 4 (19)) | | | | |
| | 2,262,080 | 5 | 2,245,214 | 4 | Common stock | 13,901 | - | 13,901 | - |
| Other Assets | | | | | Treasury stock (Note 4 (22)) | 36,209 | - | 36,209 | - |
| Operating guarantee deposits (Note 6) | 700,000 | 2 | 700,000 | 2 | Stock rights | 166,500 | - | - | - |
| Exchange clearing deposits (Note 6) | 331,154 | 1 | 332,779 | 1 | Retained earnings | | | | |
| Deposits-out (Note 6) | 105,027 | - | 140,047 | - | Legal reserve (Note 4 (20)) | 2,026,430 | 4 | 1,785,795 | 3 |
| Deferred assets | 4,033 | - | 6,720 | - | Special reserve (Note 4 (21)) | 4,123,962 | 8 | 3,612,071 | 7 |
| Prepaid pension expenses - non-current | 80,056 | - | 62,607 | - | Unappropriated earnings (Note 4 (22)) | 267,515 | 1 | 1,363,387 | 3 |
| Rental assets (Note 6) | 545,376 | 1 | 549,336 | 1 | Cumulative translation adjustments | ( 188,419) | - | ( 22,783) | - |
| Deferred tax assets - non-current (Note 4 (24)) | 46,898 | - | 46,940 | - | Unrealized loss on financial instruments (Note 10) | ( 1,140) | - | ( 651) | - |
| | 1,812,544 | 4 | 1,838,429 | 4 | Total Shareholders' Equity | 18,602,020 | 38 | 18,556,624 | 35 |
| Securities Brokerage Debit Accounts - Net (Note 4 (26)) | 521,614 | 1 | 108,835 | - | Commitments and Contingent Liabilities (Note 7) | | | | |
| | | | | | Subsequent Event (Note 9) | | | | |
| | | | | | Other Disclosure Items (Note 11) | | | | |
| TOTAL ASSETS | $ 48,612,789 | 100 | $ 52,900,207 | 100 | TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | $ 48,612,789 | 100 | $ 52,900,207 | 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)

| | 2008 | | 2007 | |
|---|---|---|---|---|
| | Amount | % | Amount | % |
| Revenues | | | | |
| Securities brokerage fees | $ 1,122,901 | 35 | $ 1,155,645 | 32 |
| Underwriting fees | 5,066 | - | 16,611 | 1 |
| Gain on trading of securities - dealer (Notes 4 (1)(28)) | - | - | 789,826 | 22 |
| Gain on trading of securities - underwriter (Notes 4 (1)(28)) | - | - | 51,633 | 1 |
| Gain on trading of securities - hedging (Notes 4 (1)(28)) | - | - | 16,609 | 1 |
| Stock custodian income | 43,097 | 1 | 41,225 | 1 |
| Interest income (Note 10) | 660,924 | 21 | 623,739 | 18 |
| Dividend income | 5,567 | - | 38,753 | 1 |
| Gain on short covering and trading securities - RS financing covering | 215,330 | 7 | 158,412 | 4 |
| Gain on valuation of borrowed securities and bonds with resale agreements | 12,607 | - | 8,434 | - |
| Gain on warrants issuance | 244,151 | 8 | 218,744 | 6 |
| Commissions on futures (Note 5) | 45,221 | 1 | 34,812 | 1 |
| Gain on derivative financial instruments - FUTURES (Note 10) | 466,566 | 15 | 86,641 | 2 |
| Gain on derivative financial instruments - OTC (Note 10) | 169,629 | 5 | 22,973 | 1 |
| Other operating income | 14,293 | 1 | 20,157 | 1 |
| Non-operating income (Notes 5 and 10) | 181,574 | 6 | 290,240 | 8 |
| | 3,186,926 | 100 | 3,574,454 | 100 |
| Expenses (Note 5) | | | | |
| Handling charges - brokerage | ( 75,495) | ( 2) | ( 76,705) | ( 2) |
| Handling charges - dealing | ( 19,286) | ( 1) | ( 15,385) | ( 1) |
| Service charges - refinancing | ( 468) | - | ( 674) | - |
| Loss on trading of securities - dealer (Notes 4 (1)(28)) | ( 23,641) | ( 1) | - | - |
| Loss on trading of securities - underwriter (Notes 4 (1)(28)) | ( 4,670) | - | - | - |
| Loss on trading of securities - hedging (Notes 4 (1)(28)) | ( 217,501) | ( 7) | - | - |
| Interest expense (Note 10) | ( 99,960) | ( 3) | ( 71,203) | ( 2) |
| Loss on valuation of operating securities (Note 4 (1)) | ( 279,865) | ( 9) | ( 145,709) | ( 4) |
| Warrants issuance expenses | ( 5,906) | - | ( 3,711) | - |
| Clearing charges | ( 4,126) | - | ( 5,465) | - |
| Operating expenses (Notes 3 and 4 (27)) | ( 1,551,978) | ( 49) | ( 1,563,619) | ( 44) |
| Other operating expenses | ( 1,340) | - | ( 1,358) | - |
| Non-operating expenses (Note 3) | ( 592,417) | ( 18) | ( 190,588) | ( 5) |
| | ( 2,876,653) | ( 90) | ( 2,074,417) | ( 58) |
| Income before income tax | 310,273 | 10 | 1,500,037 | 42 |
| Income tax expense (Note 4 (24)) | ( 66,959) | ( 2) | ( 154,648) | ( 4) |
| Net income | $ 243,314 | 8 | $ 1,345,389 | 38 |
| | Before income tax | After income tax | Before income tax | After income tax |
| Basic earnings per share (Note 4 (25)) (in NT Dollars) | | | | |
| Net income | $ 0.26 | $ 0.20 | $ 1.24 | $ 1.11 |
| Diluted earnings per share (Note 4(25)) | | | | |
| Net income | $ 0.26 | $ 0.20 | $ 1.24 | $ 1.11 |

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

PRESIDENT SECURITIES CORPORATION

NON-CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE SIX-MONTH PERIODS ENDED JUNE 30

(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

| | Capital | | | Retained Earnings | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Common Stock | Stock Dividend Distributable | 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, 2007 | $ 11,370,720 | $ - | $ 47,002 | $ 1,569,649 | $ 3,154,227 | $ 2,188,136 | ($ 39,721) | ($ 66,447) | ($ 759) | $ 18,222,807 |
| Appropriations of 2006 earnings: | | | | | | | | | | |
| Legal reserve | - | - | - | 216,146 | - | (216,146) | - | - | - | - |
| Special reserve | - | - | - | - | 457,844 | (457,844) | - | - | - | - |
| Cash bonus to employees | - | - | - | - | - | (29,924) | - | - | - | (29,924) |
| Remuneration to directors and supervisors | - | - | - | - | - | (44,884) | - | - | - | (44,884) |
| Stock dividends | - | 397,975 | - | - | - | (397,975) | - | - | - | - |
| Cash dividends | - | - | - | - | - | (1,023,365) | - | - | - | (1,023,365) |
| Net income for the six-month period ended June 30, 2007 | - | - | - | - | - | 1,345,389 | - | - | - | 1,345,389 |
| Unrealized loss on hedged cash flow | - | - | - | - | - | - | - | - | 108 | 108 |
| Cumulative translation adjustments | - | - | - | - | - | - | 16,938 | - | - | 16,938 |
| Treasury stock - to be reissued to employees | - | - | 3,108 | - | - | - | - | 66,447 | - | 69,555 |
| Balance at June 30, 2007 | $ 11,370,720 | $ 397,975 | $ 50,110 | $ 1,785,795 | $ 3,612,071 | $ 1,363,387 | ($ 22,783) | $ - | ($ 651) | $ 18,556,624 |
| Balance at January 1, 2008 | $ 11,768,695 | $ - | $ 50,110 | $ 1,785,795 | $ 3,612,071 | $ 2,424,343 | ($ 48,474) | $ - | ($ 22,628) | $ 19,569,912 |
| Appropriations of 2007 earnings: | | | | | | | | | | |
| Legal reserve | - | - | - | 240,635 | - | (240,635) | - | - | - | - |
| Special reserve | - | - | - | - | 511,891 | (511,891) | - | - | - | - |
| Cash bonus to employees | - | - | - | - | - | (32,952) | - | - | - | (32,952) |
| Remuneration to directors and supervisors | - | - | - | - | - | (49,428) | - | - | - | (49,428) |
| Stock dividends | - | 388,367 | - | - | - | (388,367) | - | - | - | - |
| Cash dividends | - | - | - | - | - | (1,176,869) | - | - | - | (1,176,869) |
| Net income for the six-month period ended June 30, 2008 | - | - | - | - | - | 243,314 | - | - | - | 243,314 |
| Unrealized loss on hedged cash flow | - | - | - | - | - | - | - | - | 21,488 | 21,488 |
| Cumulative translation adjustments | - | - | - | - | - | - | (139,945) | - | - | (139,945) |
| Issuance of convertible bonds | - | - | 166,500 | - | - | - | - | - | - | 166,500 |
| Balance at June 30, 2008 | $ 11,768,695 | $ 388,367 | $ 216,610 | $ 2,026,430 | $ 4,123,962 | $ 267,515 | ($ 188,419) | $ - | ($ 1,140) | $ 18,602,020 |

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)

| | 2008 | 2007 |
|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net income | $ 243,314 | $ 1,345,389 |
| Adjustments to reconcile net income to net cash provided by (used in) operating activities: | | |
| Depreciation (including rental assets) | 33,936 | 38,662 |
| Amortization | 1,257 | 1,430 |
| (Gain)/Loss on valuation of open-ended funds and money-market instruments | 13,872 | ( 3,294) |
| Loss on decline in value of securities | 279,865 | 145,709 |
| Write off of bad debts and allowance for uncollectible accounts | ( 309) | ( 484) |
| Provision for bad debts | 417 | 1,333 |
| (Income) loss on long-term investments accounted for under the equity method | 242,108 | ( 126,482) |
| Impairment loss on long-term investments accounted for under the equity method | 22,129 | 22,129 |
| Proceeds from cash dividends - under the equity method | 99,362 | 68,100 |
| Loss (gain) on disposal of fixed assets | 268 | ( 364) |
| Discount on bonds payable | 7,788 | - |
| Provision for trading loss | 46,345 | 71,610 |
| Changes in assets and liabilities: | | |
| Financial assets at fair value through profit or loss | 3,364,937 | ( 1,687,746) |
| Bonds purchased under resale agreements | 1,165,584 | ( 99,625) |
| Net cash funded from margin loans and short sales transactions | 575,243 | ( 3,948,581) |
| Receivables from stock borrowing guaranty | ( 28,018) | - |
| Refinancing security deposits | ( 25,306) | - |
| Notes receivable | ( 1,657) | 1,079 |
| Accounts receivable | ( 550,863) | 135,889 |
| Prepayments | 1,573 | 12,777 |
| Prepaid pension expenses | ( 10,794) | ( 13,291) |
| Other receivables | ( 132,913) | ( 74,979) |
| Deferred tax assets / liabilities | ( 28,092) | 30,134 |
| Other financial assets - non current | - | ( 1,212,353) |
| Bonds sold under repurchase agreements | ( 2,967,804) | 1,871,099 |
| Financial liabilities at fair value through profit or loss - current | ( 1,352,022) | 1,114,178 |
| Accounts payable | ( 112,720) | 777,257 |
| Advance receipts | 128 | ( 1,119) |
| Collections on behalf of third parties | ( 3,417) | ( 60,674) |
| Other payables | ( 288,500) | ( 64,373) |
| Other financial liabilities - current | 49,496 | 186,793 |
| Securities Brokerage Debit Accounts - Net | ( 478,272) | 23,651 |
| Net cash provided by (used in) operating activities | 166,935 | ( 1,446,146) |

(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)

| | 2008 | 2007 |
|---|---|---|
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Open-ended funds and money-market instruments | ($ 171,303) | $ 395,000 |
| Decrease in refinance guarantee deposits | - | $ 8,017 |
| Receivable from refinance guaranty | 8,310 | 7,605 |
| (Increase) decrease in restricted assets | 39,650 | ( 116,922) |
| Long-term equity investments accounted for under the equity method - subsidaries | ( 5,000) | - |
| Return of share capital for capital reduction in available-for-sale financial assets | 6,000 | - |
| Acquisition of fixed assets | ( 36,198) | ( 14,591) |
| Proceeds from disposal of fixed assets | 35 | 430 |
| (Increase) decrease in exchange clearing deposits | 1,625 | ( 19,062) |
| Decrease in deposits-out | 63,521 | 414,825 |
| Net cash (used in) provided by investing activities | ( 93,360) | 675,302 |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Increase in short-term loans | 67,000 | 979,000 |
| (Decrease) increase in commercial papers payable | ( 1,801,716) | 147,097 |
| Issuance of convertible bonds | 3,000,000 | - |
| (Decrease) increase in deposits-in | 1,533 | ( 453) |
| Increase in long-term loans | 298,848 | - |
| Repayment of long-term loans | ( 1,470,000) | - |
| Treasury stock transferred to employees | - | 69,555 |
| Net cash provided by financing activities | 95,665 | 1,195,199 |
| Net increase in cash and cash equivalents | 169,240 | 424,355 |
| Cash and cash equivalents, beginning of the year | 469,790 | 326,115 |
| Cash and cash equivalents, end of the year | $ 639,030 | $ 750,470 |
| SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION: | | |
| Cash paid for interest | $ 231,838 | $ 158,227 |
| Cash paid for income tax | $ 280,940 | $ 219,951 |

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

PRESIDENT SECURITIES CORPORATION

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2008 AND 2007

(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, 2008, the Company had 35 operating branches with approximately 1,500 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 shareholders' 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) <u>Cash and cash equivalents</u>

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) <u>Financial assets and financial liabilities at fair value through profit or loss</u>

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) Allowance for doubtful accounts

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) 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.

8) 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. Retrospective 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. All majority-owned subsidiaries and controlled entities are included in the consolidated financial statements. Effective January 1, 2008, the Company prepares consolidated financial statements on a quarterly basis.

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 shareholders' equity.

9) <u>Fixed 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, mainly franchises, are stated at cost and amortized over their estimated useful lives 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. When the impairment no longer exists, the impairment loss recognized in prior years shall be recovered. However, impairment loss of goodwill, intangible assets with indefinite useful lives and intangible assets which have not yet been available for use 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

A. For the bonds payable issued after January 1, 2006, the issuer of a financial instrument shall classify the instrument, or its component parts, on initial recognition as a financial liability, a financial asset or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial liability, a financial asset and an equity instrument. These bonds are accounted for as follows:

(A) The difference between the issue price and face value of convertible corporate bonds is accounted for as premium or discount which is required to be amortized over the period from the date of issuance to maturity date using the interest method and is recorded as “interest expense”.

(B) The value of any derivative features (such as a call option, put option and resetting option) embedded in the compound financial instrument is recognized as “financial assets or financial liabilities at fair value through profit or loss". At the maturity of redemption period, if the fair value of common stock exceeds the redemption price, the fair value of the derivative is recognized as "paid-in capital"; however if the fair value of common stock is lower than the redemption price, the fair value of the derivative is recognized as "gain or loss".

(C) A conversion option embedded in the bonds issued by the Company, which is convertible to an equity instrument, is recognized in "capital reserve from stock warrants", net of income tax effects. When a bondholder exercises his/her conversion rights, the liability component of the bonds (including corporate bonds and embedded derivatives) shall be revalued, and the resulting difference shall be recognized as "gain or loss" in the current period. The book value of the common stock issued due to the conversion shall be based on the adjusted book value of the above-mentioned liability component plus the book value of the stock warrants.

B. Bonds payable issued before December 31, 2005 are accounted for as follows:

(A) The difference between the issue price and face value of convertible corporate bonds is accounted for as premium or discount which is required to be amortized over the period from the date of issuance to maturity date using the interest method and is recorded as "interest expense".

(B) If the difference between payment amount before the maturity date and the book value at liquidation date is significant, it should be 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 shareholders approve a resolution to retain the earnings.

16) <u>Treasury stock</u>

A. When the Company acquires its outstanding shares as treasury stock, the acquisition cost should be debited to the treasury stock account (classified as a contra account under shareholders' equity) if the shares are purchased.

B. Upon disposal of the treasury stock, if the disposal price exceeds the cost of the treasury stock disposed of, the difference is credited to "capital reserve – treasury stock". If the disposal price is less than the cost, the difference is debited to the capital reserve arising from the treasury stock of the same class. Where the capital reserve is insufficient to cover the difference, the remaining amount is charged against retained earnings.

C. The cost of treasury stock is accounted for on a weighted-average basis.

17) <u>Employees' bonus and directors' and supervisors' remuneration</u>

Effective January 1, 2008, pursuant to EITF96-052 of the Accounting Research and Development Foundation, R.O.C., dated March 16, 2007, "Accounting for Employees' Bonus and Directors' and Supervisors' Remuneration", the costs of employees' bonus and directors' and supervisors' remuneration are accounted for as expenses and liabilities, provided that such a recognition is required under legal obligation or constructive obligation and those amounts can be estimated reasonably. However, if the accrued amounts for employees' bonus and directors' and supervisors' remuneration are significantly different from the actual distributed amounts resolved by the stockholders at their annual stockholders' meeting subsequently, the differences shall be recognized as gain or loss in the year of distribution. In addition, according to EITF97-127 of the Accounting Research and Development Foundation, R.O.C., dated March 31, 2008, “Criteria for Listed Companies in Calculating the Number of Shares of Employees’ Stock Bonus”, the Company calculates the number of shares of employees’ stock bonus based on the closing price of the Company's common stock at the previous day of the stockholders’ meeting held in the year following the financial reporting year, and after taking into account the effects of ex-rights and ex-dividends.

18) 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.

19) 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 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.

20) 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.

21) 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

Employees' bonus and directors' and supervisors' remuneration

Effective January 1, 2008, the Company adopted EITF96-052 of the Accounting Research and Development Foundation, R.O.C., dated March 16, 2007, "Accounting for Employees' Bonus and Directors' and Supervisors' Remuneration". As a result of the adoption of EITF96-052, net income decreased by $5,080 but had no significant effect on earnings per share for the six-month period ended June 30, 2008.

4. DETAILS OF SIGNIFICANT ACCOUNTS

1) FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

| | June 30, 2008 | June 30, 2007 |
|---|---|---|
| Current items: | | |
| Financial assets held for trading - current: | | |
| Open-end mutual funds beneficiary certificates and money market instruments | | |
| Open-end mutual funds beneficiary certificates | $ 494,928 | $ 245,000 |
| Adjustment of open-end mutual funds beneficiary certificates | ( 566) | 25,736 |
| | 494,362 | 270,736 |
| Trading securities - dealer | | |
| Listed (TSE and OTC) stocks | 2,386,193 | 4,045,175 |
| Government bonds | 2,303,410 | 2,361,823 |
| Secured corporate bonds | 97,773 | 267,983 |
| Financial bonds | 785,197 | 1,329,562 |
| Convertible corporate bonds | 2,369,494 | 3,578,412 |
| Overseas convertible bonds | 547,706 | 592,195 |
| Emerging stocks | 189,158 | 469,739 |
| Overseas protfolio - stock | - | 184,523 |
| | 8,678,931 | 12,829,412 |
| Adjustment of trading securities - dealer | ( 205,643) | 178,909 |
| | 8,473,288 | 13,008,321 |
| Trading securities - underwriter | | |
| Listed (TSE and OTC) stocks | 542,351 | 440,989 |
| Convertible corporate bonds | 894,565 | 431,965 |
| | 1,436,916 | 872,954 |
| Adjustment of trading securities - underwriter | ( 94,653) | 62,131 |
| | 1,342,263 | 935,085 |

| | June 30, 2008 | June 30, 2007 |
|---|---|---|
| Trading securities - hedging | | |
| Listed (TSE and OTC) stocks | 334,791 | 1,592,295 |
| Convertible corporate bonds | 989,898 | 833,295 |
| Warrants | 7,039 | - |
| | 1,331,728 | 2,425,590 |
| Adjustment of trading securities - hedging | ( 83,870) | 186,277 |
| | 1,247,858 | 2,611,867 |
| Buy option - futures | 33,652 | 4,079 |
| Futures guarantee deposits receivable | 1,460,705 | 919,421 |
| Derivative financial instrument assets - OTC | 358,201 | 143,114 |
| | $ 13,410,329 | $ 17,892,623 |
| Noncurrent items: | | |
| Financial assets held for trading - noncurrent - bonds | $ - | $ 1,070,456 |
| Adjustment of financial assets designated at fair value through profit or loss | - | ( 7,352) |
| Total | $ - | $ 1,063,104 |

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, 2008 | |
|---|---|---|
| | Gain/loss on disposal | Gain/loss on valuation |
| Open-end mutual funds beneficiary certificates | $ 15,058 | ($ 13,872) |
| Trading securities - dealer | ( 23,641) | ( 164,551) |
| Trading securities - underwriter | ( 4,670) | ( 55,584) |
| Trading securities - hedging | ( 217,501) | ( 59,730) |
| Total | ($ 230,754) | ($ 293,737) |

| | 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) |

2) AVAILABLE-FOR-SALE FINANCIAL ASSETS

| Investees | June 30, 2008 Amount | June 30, 2008 Percentage of ownership | June 30, 2007 Amount | June 30, 2007 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 | 24,000 | 5.00% | 30,000 | 5.00% |
| Taiwan Integrated Shareholder's Service Company | 15,395 | 5.27% | 15,395 | 5.27% |
| | $ 135,845 | | $ 141,845 | |

3) BONDS PURCHASED UNDER RESALE AGREEMENTS

A. Bonds purchased under resale agreements as at June 30, 2008 and 2007 were all due within one year. As of June 30, 2008 and 2007, annual interest rates of those bonds ranged from 0% to 3% and 0.9999% to 1.97%, respectively, except annual interest rates of -8% to -10% and 3% for government bonds 96-2 and Convertible Bond of Singatron, respectively, as at June 30, 2007.

B. As of June 30, 2008 and 2007, bonds purchased under resale agreements totaling $2,218,340 and $1,212,353, respectively, were provided by the Company as collateral for the issuance of corporate bonds. Such amounts pledged were reclassified to “Other financial assets —non-current” in the financial statements as of June 30, 2007. The Company had no similar reclassification for the pledged amounts as of June 30 , 2008 as the corporate bonds will mature within one year.

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, 2008 and 2007, the annual interest rates were 6.50% and 6.65%, respectively.

## 5) INVESTMENTS ACCOUNTED FOR UNDER THE EQUITY METHOD

| | June 30, 2008 | | June 30, 2007 | |
|---|---|---|---|---|
| | Amount | Percentage of ownership | Amount | Percentage of ownership |
| President Futures Corporation | $ 931,891 | 97.69% | $ 840,839 | 94.66% |
| President Securities (HK) Limited | 54,475 | 5.19% | 59,789 | 5.19% |
| President Capital Management Corporation | 287,589 | 100.00% | 297,077 | 100.00% |
| President Securities (BVI) Limited | 1,762,155 | 100.00% | 1,497,749 | 100.00% |
| President Investment Trust Co. Ltd. | 441,151 | 38.66% | 372,428 | 28.66% |
| President Personal Insurance Agency | 6,704 | 100.00% | 4,948 | 100.00% |
| President Insurance Agency Co.Ltd. | 4,698 | 100.00% | - | 100.00% |
| | $ 3,488,663 | | $ 3,072,830 | |

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. For the six-month periods ended June 30, 2008 and 2007, investment loss of $242,704 and investment income of $126,526, respectively, were accounted for based on the investee companies’ financial statements which were audited by auditors for the corresponding periods; however, investment income of $596 and investment loss of $44 on investments in President Insurance Agency Co.Ltd. and President Personal Insurance Agency Co.Ltd for the six-month periods ended June 30, 2008 and 2007, respectively, were accounted for based on the two investee companies’ financial statements for the corresponding periods which were not audited by independent auditors since those financial statements did not meet the threshold by auditing standards that requires the examination of financial statements by certified public accountants.

C. An impairment loss of $22,129 was recognized for both the six-month periods ended June 30, 2008 and 2007 according to the R.O.C. SFAS No. 35, “Accounting for Asset Impairment”.

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

6) SHORT-TERM LOANS

| | June 30, 2008 | | June 30, 2007 | |
|---|---|---|---|---|
| Secured loans | $ | 3,363,000 | $ | 5,780,000 |
| Credit loans | | 1,300,000 | | 1,400,000 |
| | $ | 4,663,000 | $ | 7,180,000 |
| Interest rates | | 2.50%~2.65% | | 1.84%~3.80% |

7) COMMERCIAL PAPERS PAYABLE

| | June 30, 2008 | | June 30, 2007 | |
|---|---|---|---|---|
| Face value | $ | 4,250,000 | $ | 6,850,000 |
| Less: Discount | ( | 6,012) | ( | 6,980) |
| | $ | 4,243,988 | $ | 6,843,020 |
| Interest rates | | 1.902%~2.38% | | 1.67%~4.55% |

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

8) BONDS SOLD UNDER REPURCHASE AGREEMENTS

Bonds sold under repurchase agreements as at June 30, 2008 and 2007 were all due within one year. As of June 30, 2008 and 2007, annual interest rates of those bonds ranged from 1.50% to 3.9999% and 1.75% to 3.9%, respectively, except annual interest rates of 5.445% to 5.455% for international bonds as at June 30, 2007.

9) 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.

10) FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

| | June 30, 2008 | June 30, 2007 |
|---|---|---|
| Financial liabilities held for trading: | | |
| Bonds purchased under resale agreements - securities financing | $ 1,389,625 | $ 1,764,675 |
| Adjustment of bonds purchased under resale agreements - securities financing | ( 960) | ( 7,846) |
| | 1,388,665 | 1,756,829 |
| Securities borrowing & lending： | | |
| Payables for securities borrowing & lending - non-hedging | 28,117 | - |
| Adjustment of payables for securities borrowing & lending - non-hedging | ( 7,663) | - |
| Subtotal | 20,454 | - |
| Warrants | 2,703,569 | 1,080,724 |
| Loss (Gain) on price fluctuation | ( 2,124,242) | ( 68,240) |
| Market value (A) | 579,327 | 1,012,484 |
| Repurchase of warrants | 1,381,253 | 682,333 |
| Loss on price fluctuation | ( 848,256) | 10,667 |
| Market value (B) | 532,997 | 693,000 |
| Warrants-net (A+B) | 46,330 | 319,484 |
| Liabilities for sale of options - futures | 57,293 | 141,230 |
| Derivative financial instrument liabilities - | 211,424 | 211,951 |
| Total | $ 1,724,166 | $ 2,429,494 |

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

B. The warrants carry an American-option and have six 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, 2008 are as follows:

| | | Warrants (in NT Dollars) | | | | |
|---|---|---|---|---|---|---|
| Warrants | Units Issued | Underlying Securities | Issuance Date | Issuance Price | Market Value | Strike Price |
| PRESIDENT BP | 20,000,000 | CAL | 97.01.16 | $ 1.418 | $ 0.03 | $ 61.12 |
| PRESIDENT BQ | 20,000,000 | ASE | 97.01.16 | 0.732 | 0.01 | 37.65 |
| PRESIDENT BR | 20,000,000 | EMC | 97.01.18 | 1.241 | 0.08 | 83.10 |
| PRESIDENT BS | 20,000,000 | PPt | 97.01.18 | 1.831 | 0.06 | 126.30 |
| PRESIDENT BT | 20,000,000 | MIC | 97.01.22 | 0.438 | 0.03 | 26.18 |
| PRESIDENT BU | 20,000,000 | ASUSTEK | 97.01.22 | 0.777 | 1.29 | 60.90 |
| PRESIDENT BV | 20,000,000 | TSMC | 97.01.22 | 0.725 | 0.07 | 53.18 |
| PRESIDENT BW | 20,000,000 | T.JOIN | 97.01.28 | 1.430 | 0.02 | 24.15 |
| PRESIDENT BX | 20,000,000 | PTI | 97.01.28 | 0.800 | 0.02 | 15.60 |
| PRESIDENT BY | 20,000,000 | PI | 97.01.28 | 0.832 | 0.28 | 83.25 |
| PRESIDENT BZ | 20,000,000 | AV TECH | 97.01.31 | 0.750 | 0.21 | 13.41 |
| PRESIDENT CA | 20,000,000 | WALSIN | 97.01.31 | 2.050 | 0.10 | 90.15 |
| PRESIDENT CB | 20,000,000 | FOXLINK | 97.02.18 | 2.000 | 0.02 | 134.70 |
| PRESIDENT CC | 20,000,000 | NTC | 97.02.18 | 1.500 | 0.25 | 134.40 |
| PRESIDENT CD | 20,000,000 | COMPEQ MFG. | 97.02.25 | 1.633 | 1.24 | 41.10 |
| PRESIDENT CE | 20,000,000 | FFHC | 97.02.26 | 1.494 | 0.20 | 129.75 |
| PRESIDENT CF | 20,000,000 | HSC | 97.02.26 | 1.235 | 0.05 | 83.40 |
| PRESIDENT CG | 20,000,000 | WANHAI | 97.02.29 | 0.986 | 0.51 | 999.00 |
| PRESIDENT CH | 20,000,000 | TBB | 97.03.03 | 1.346 | 0.03 | 26.10 |
| PRESIDENT CI | 20,000,000 | FEDS | 97.03.03 | 0.990 | 0.27 | 40.65 |
| PRESIDENT CJ | 20,000,000 | ATEN | 97.03.06 | 1.235 | 0.04 | 162.75 |
| PRESIDENT CK | 20,000,000 | USI | 97.03.10 | 0.862 | 0.06 | 41.92 |
| PRESIDENT CL | 20,000,000 | CHT | 97.03.10 | 0.950 | 0.15 | 40.50 |
| PRESIDENT CM | 20,000,000 | N.P.C | 97.03.13 | 1.802 | 0.15 | 207.75 |
| PRESIDENT CN | 20,000,000 | ETERNAL | 97.03.17 | 0.737 | 0.10 | 85.65 |
| PRESIDENT CP | 20,000,000 | TSFHC | 97.03.17 | 0.737 | 0.03 | 85.65 |
| PRESIDENT CQ | 20,000,000 | RITEK | 97.03.20 | 0.956 | 0.27 | 61.35 |
| PRESIDENT CR | 20,000,000 | FSC | 79.03.20 | 0.747 | 0.34 | 20.45 |
| PRESIDENT CS | 20,000,000 | FORHOUSE | 97.03.21 | 0.428 | 0.18 | 28.10 |
| PRESIDENT CT | 20,000,000 | EVERLIGHT | 97.03.26 | 0.428 | 0.33 | 41.80 |
| PRESIDENT CU | 20,000,000 | YNM | 97.03.27 | 2.978 | 0.90 | 100.50 |
| PRESIDENT CV | 20,000,000 | HON HAI | 97.03.27 | 0.577 | 0.19 | 33.50 |
| PRESIDENT CW | 20,000,000 | FPCC | 97.03.27 | 0.796 | 0.04 | 26.18 |
| PRESIDENT CX | 20,000,000 | CAL | 97.03.27 | 1.330 | 0.09 | 53.25 |
| PRESIDENT CY | 20,000,000 | JPC | 97.03.28 | 1.118 | 0.23 | 24.00 |
| PRESIDENT CZ | 20,000,000 | ACCTON | 97.03.28 | 2.050 | 0.10 | 31.50 |
| PRESIDENT DC | 20,000,000 | UNITECH | 97.04.01 | 1.791 | 0.17 | 182.25 |

| Warrants | Units Issued | Warrants (in NT Dollars) Underlying Securities | Issuance Date | Issuance Price | Market Value | Strike Price |
|---|---|---|---|---|---|---|
| PRESIDENT DD | 20,000,000 | CYNTEC CO., LTD | 97.04.01 | $ 0.756 | $ 0.10 | $ 70.20 |
| PRESIDENT DE | 20,000,000 | TWM | 97.04.02 | 1.720 | 0.12 | 123.75 |
| PRESIDENT DF | 20,000,000 | YC | 97.04.02 | 3.786 | 0.61 | 79.35 |
| PRESIDENT DG | 20,000,000 | CST | 97.04.02 | 1.095 | 0.28 | 999.00 |
| PRESIDENT DH | 20,000,000 | ELAN | 97.04.03 | 5.975 | 0.76 | 625.50 |
| PRESIDENT DI | 20,000,000 | KeeTai | 97.04.03 | 0.388 | 0.49 | 208.50 |
| PRESIDENT DJ | 20,000,000 | Taiwan Life | 97.04.03 | 0.737 | 0.05 | 36.15 |
| PRESIDENT DK | 20,000,000 | ESMT | 97.04.08 | 3.380 | 0.25 | 71.10 |
| PRESIDENT DL | 20,000,000 | S. W. | 97.04.08 | 1.647 | 0.40 | 130.35 |
| PRESIDENT DM | 20,000,000 | GREATWALL | 97.04.10 | 0.585 | 0.16 | 609.00 |
| PRESIDENT DN | 20,000,000 | FOPCO | 97.04.10 | 2.066 | 0.05 | 42.83 |
| PRESIDENT DP | 20,000,000 | ACC | 97.04.11 | 1.832 | 0.05 | 198.75 |
| PRESIDENT DQ | 20,000,000 | PIHSIANG | 97.04.11 | 2.811 | 0.19 | 62.70 |
| PRESIDENT DR | 20,000,000 | EVAAIR | 97.04.11 | 0.737 | 0.07 | 114.30 |
| PRESIDENT DS | 20,000,000 | CMC | 97.04.14 | 1.480 | 0.18 | 94.95 |
| PRESIDENT DT | 20,000,000 | CHROMA | 97.04.18 | 1.300 | 0.03 | 24.45 |
| PRESIDENT DU | 20,000,000 | MIC | 97.04.23 | 4.750 | 0.32 | 87.60 |
| PRESIDENT DV | 20,000,000 | CSRC | 97.05.02 | 3.120 | 0.80 | 148.20 |
| PRESIDENT DW | 20,000,000 | LITE-ON IT | 97.05.06 | 1.625 | 0.12 | 128.55 |
| PRESIDENT DX | 20,000,000 | ASUSTEK | 97.05.15 | 4.552 | 1.30 | 220.50 |
| PRESIDENT DY | 20,000,000 | CSCC | 97.05.15 | 0.866 | 0.17 | 22.88 |
| PRESIDENT DZ | 20,000,000 | Richtek | 97.05.15 | 1.683 | 1.31 | 46.28 |
| PRESIDENT EA | 20,000,000 | CPDC | 97.05.15 | 0.239 | 0.60 | 15.43 |
| PRESIDENT EB | 20,000,000 | SSFC | 97.05.16 | 1.280 | 0.19 | 53.17 |
| PRESIDENT EC | 20,000,000 | CLEVO CO. | 97.05.16 | 2.689 | 0.07 | 147.60 |
| PRESIDENT ED | 20,000,000 | CHEM | 97.05.27 | 1.454 | 0.35 | 84.00 |
| PRESIDENT EE | 20,000,000 | CATCHER | 97.05.30 | 1.280 | 0.27 | 90.00 |
| PRESIDENT EF | 20,000,000 | YNM | 97.06.11 | 1.703 | 0.45 | 259.50 |
| PRESIDENT EG | 20,000,000 | Macronix | 97.06.11 | 1.730 | 0.75 | 23.70 |
| PRESIDENT EH | 20,000,000 | SUNPLUS | 97.06.11 | 1.344 | 0.64 | 30.82 |
| PRESIDENT E1 | 20,000,000 | KeeTai | 97.06.16 | 1.600 | 1.10 | 38.25 |
| PRESIDENT EJ | 20,000,000 | Ali | 97.06.16 | 1.280 | 1.35 | 40.13 |
| PRESIDENT EK | 20,000,000 | GIANT | 97.06.23 | 1.035 | 0.67 | 141.00 |
| PRESIDENT EL | 20,000,000 | TW50 | 97.06.23 | 1.550 | 1.33 | 57.45 |
| PRESIDENT AP | 20,000,000 | CMT | 96.11.26 | 0.550 | 0.01 | 66.37 |
| PRESIDENT AQ | 20,000,000 | CATHAY HOLDINGS | 96.11.29 | 0.457 | 0.01 | 87.75 |
| PRESIDENT AT | 20,000,000 | Faraday | 96.11.30 | 0.462 | 0.01 | 453.00 |

| Warrants | Units Issued | Warrants (in NT Dollars) Underlying Securities | Issuance Date | Issuance Price | Market Value | Strike Price |
|---|---|---|---|---|---|---|
| PRESIDENT BB | 20,000,000 | FRG | 96.12.17 | $ 0.680 | $ 0.06 | $ 598.50 |
| PRESIDENT BG | 20,000,000 | GUIC | 96.12.27 | 0.810 | 0.03 | 15.90 |
| PRESIDENT BH | 20,000,000 | MVI | 96.12.27 | 0.760 | 0.01 | 37.27 |
| PRESIDENT BI | 20,000,000 | Synnex | 97.01.08 | 1.131 | 0.30 | 134.70 |
| PRESIDENT BJ | 20,000,000 | AUO | 97.01.08 | 0.711 | 0.01 | 82.35 |
| PRESIDENT BK | 20,000,000 | U-MING | 97.01.10 | 1.760 | 0.03 | 42.07 |
| PRESIDENT BL | 20,000,000 | LARGAN | 97.01.10 | 1.160 | 0.01 | 52.50 |
| PRESIDENT BM | 20,000,000 | SKFH | 97.01.14 | 0.992 | 0.01 | 120.60 |
| PRESIDENT BN | 20,000,000 | MTK | 97.01.14 | 0.454 | 0.06 | 522.00 |
| PRESIDENT AZ | 20,000,000 | TC | 96.12.13 | 0.150 | 0.17 | 30.62 |
| PRESIDENT BA | 20,000,000 | GS | 96.12.14 | 0.500 | 0.53 | 88.05 |
| PRESIDENT DA | 20,000,000 | PCM | 97.03.28 | 1.165 | 0.12 | 91.80 |
| PRESIDENT DB | 20,000,000 | CAL | 97.03.28 | 0.418 | 0.23 | 30.60 |
| PRESIDENT PQ | 10,000,000 | FEDS | 96.12.31 | 0.548 | 0.01 | 20.70 |
| PRESIDENT PR | 5,000,000 | HOLTEK | 97.01.03 | 3.518 | 0.33 | 438.00 |
| PRESIDENT PS | 20,000,000 | ITE | 97.01.09 | 0.403 | 0.01 | 369.00 |
| PRESIDENT PU | 12,000,000 | AOC | 97.01.17 | 2.399 | 2.26 | 204.75 |
| PRESIDENT PV | 5,000,000 | USI | 97.02.20 | 4.413 | 1.22 | 280.50 |
| PRESIDENT PW | 15,000,000 | PAN JIT | 97.02.20 | 1.410 | 0.12 | 50.85 |
| PRESIDENT PX | 12,000,000 | GeoVision | 97.02.20 | 2.850 | 0.27 | 192.75 |
| PRESIDENT PY | 15,000,000 | MIC | 97.02.22 | 1.100 | 0.09 | 45.30 |
| PRESIDENT PZ | 10,000,000 | HON HAI | 97.03.04 | 1.875 | 1.19 | 138.15 |
| PRESIDENT QA | 10,000,000 | EVERLIGHT | 97.03.04 | 5.050 | 0.30 | 342.00 |
| PRESIDENT QB | 25,000,000 | MTC | 97.03.07 | 0.429 | 0.10 | 310.50 |
| PRESIDENT QC | 12,000,000 | NK | 97.03.18 | 1.500 | 0.25 | 115.65 |
| PRESIDENT QD | 12,000,000 | CDIBH | 97.04.07 | 1.600 | 0.03 | 35.25 |
| PRESIDENT QE | 10,000,000 | CyberTAN | 97.04.07 | 0.727 | 0.05 | 17.63 |

## 11) OTHER PAYABLES

| | June 30, 2008 | June 30, 2007 |
|---|---|---|
| Cash dividend payable | $ 1,176,869 | $ 1,023,365 |
| Income tax payable | 1,011,264 | 1,060,370 |
| Accrued payroll and bonus | 435,082 | 434,893 |
| Others | 284,438 | 425,711 |
| | $ 2,907,653 | $ 2,944,339 |

12) OTHER FINANCIAL LIABILITIES - CURRENT

| | June 30, | |
|---|---|---|
| | 2008 | 2007 |
| ELN - Options | $ 40,490 | $ 10,000 |
| PGN - fixed income | 194,923 | 260,849 |
| | $ 235,413 | $ 270,849 |

13) BONDS PAYABLE

| | June 30, | |
|---|---|---|
| | 2008 | 2007 |
| Secured ordinary corporate bonds payable | $ 2,000,000 | $ 2,000,000 |
| Unsecured ordinary corporate bonds payable | 3,000,000 | - |
| Less: Discount of bonds payable | ( 243,042) | - |
| Subtotal | 4,756,958 | 2,000,000 |
| Less: Current portion | ( 2,000,000) | - |
| Total | $ 2,756,958 | $ 2,000,000 |

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

A. Total issued amount: Eleven types of bonds totaling $3,000,000, with various 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, 2008, the interest rate was 0%.

D. As of June 30, 2008, 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 .

14) LONG-TERM LOANS

| | June 30, 2008 | June 30, 2007 |
|---|---|---|
| Commercial papers payable | $ 450,000 | $ - |
| Less: Discount | ( 1,216) | - |
| | 448,784 | - |
| Long-term loans | 2,730,000 | - |
| | $ 3,178,784 | $ - |
| Interest rates | 2.40%~2.7579% | - |

On October 31, 2007, the Company entered into a three-year syndicated revolving credit facility agreement with Bank of Taiwan as the lead bank. The significant terms and conditions under the agreement are set forth below:

a) Time limit for the loan: three years from the first draw-down of the loan.

b) Credit line and draw-down: total credit line is $4,200,000 and can be drawn down revolvingly during the contract period.

c) Commitment fee: for the period from the following date of six months after the contract signing date to the maturity date of the loan, the Company shall pay commitment fees equal to 50% of the unused credit line multiplied by the annual fee rate of 0.1% at the end of each three-month term.

d) During the contract period, the Company should maintain a) current assets to current liabilities ratio of at least 1:1, b) liabilities not exceeding 300% of tangible net equity, and c) net book value of tangible assets of at least $15,000,000.

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 Bank of Taiwan, the trustee. For the six-month periods ended June 30, 2008 and 2007, the Company recognized net periodic pension cost of $10,940 and $8,831, respectively. The fund balance was $290,844 and $315,176 as of June 30, 2008 and 2007, 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 equivalent to 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 $26,864 and $23,812 under the New Plan for the six-month periods ended June 30, 2008 and 2007, 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) COMMON STOCK

As of June 30, 2008 and 2007, the Company's authorized capital was $15,000,000. The Company's issued common stocks were 1,176,869,000 shares and 1,137,072,000 shares, respectively, and the outstanding common stocks were 1,176,869,000 and 1,137,072,000 shares as of June 30, 2008 and 2007, respectively, with a par value of $10 (dollars) per share. For treasury stock transactions, please refer to Note 4 (23).

19) 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.

20) 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.

21) 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, listed and over-the-counter companies shall exclude the balances of contra accounts from the unappropriated earnings balance in the stockholders’ equity account.

22) UNAPPROPRIATED EARNINGS

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. The Company's dividend policy is adopted taking into consideration the Company's operating results and future capital utilization plans.

D. Details of appropriation of 2007 and 2006 earnings which had been resolved at the stockholders' meeting are summarized below:

| | 2007 | | 2006 | |
|---|---|---|---|---|
| | Amount | Dividends per share (in dollars) | Amount | Dividends per share (in dollars) |
| Legal reserve | $ 240,635 | | $ 216,146 | |
| Special reserve | 511,891 | | 457,844 | |
| Stock dividends | 388,367 | $ 0.33 | 397,975 | $ 0.35 |
| Cash dividends | 1,176,869 | 1.00 | 1,023,365 | 0.90 |
| Directors' and supervisors' remuneration | 49,428 | | 44,884 | |
| Employees' cash bonus | 32,952 | | 29,924 | |
| Total | $ 2,400,142 | | $ 2,170,138 | |

E. The accrued amounts of employees' bonus and directors' and supervisors' remuneration were $2,676 and $4,014, respectively, for the six-month period ended June 30, 2008. Information on the appropriation of the Company's earnings as resolved by the Board of Directors and approved by the stockholders will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

23) TREASURY STOCK

A. Details of treasury stock transactions for the six-month period ended June 30, 2008:

(In thousands of shares)

| Purpose | Beginning Balance | Transfer | 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. 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.

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

D. 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, 2008 | June 30, 2007 |
|---|---|---|
| Income tax payable | $ 1,011,264 | $ 1,060,370 |
| Prepaid income tax | 23,717 | 9,176 |
| Net effect of deferred tax assets | ( 28,092) | 30,134 |
| (Over) under provision of prior year's income tax | ( 24,743) | ( 38,785) |
| Unpaid amount of prior year's income tax | ( 916,285) | ( 907,087) |
| Tax on separately taxed income | 1,098 | 840 |
| Income tax expense - current | 66,959 | 154,648 |
| Retention tax (10%) on unappropriated earnings | - | - |
| Income tax expense | $ 66,959 | $ 154,648 |

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

| Temporary differences | June 30, 2008 Amount | 2008 Tax effect | 2007 Amount | 2007 Tax effect |
|---|---|---|---|---|
| Current: | | | | |
| - Bad debts | $ 78,020 | $ 19,505 | $ 78,020 | $ 19,505 |
| - Gain on valuation of financial | ( 352,952) | ( 88,237) | 79,899 | 19,975 |
| - Others | 943 | 235 | 943 | 236 |
| | | ($ 68,497) | | $ 39,716 |
| Non-current: | | | | |
| - Unrealized loss on default | $ 177,568 | $ 44,392 | $ 177,568 | $ 44,392 |
| - Others | 10,023 | 2,506 | 10,189 | 2,548 |
| | | $ 46,898 | | $ 46,940 |

C. Imputation tax system

| | June 30, 2008 | 2007 |
|---|---|---|
| Balance of imputation credit account | $ 372,729 | $ 329,376 |
| | 2007 | 2006 |
| Estimated rate of imputation credit account | 15.44% | 16.47% |
| | (Estimated) | (Actual) |

D.Unappropriated earnings

| | June 30, 2008 | 2007 |
|---|---|---|
| Before 1997 | $ 10,497 | $ 10,497 |
| 1998 and onwards | 257,018 | 1,352,890 |
| | $ 267,515 | $ 1,363,387 |

E. As of June 30, 2008, the Company’s income tax returns through 2006 have been assessed by the Tax Authority.

F. The Tax Authority imposed additional income tax in the amount of $1,144,758. The Company contested the assessment and provided time deposits as security for the appeal and had paid half of the additional income tax imposed. As of June 30, 2008, the appeal was still pending. However, the Company has accrued the additional income tax in the financial statements.

25) EARNINGS PER SHARE

The effective date for appropriation of 2007 earnings as resolved at the stockholders' meeting in June 2008 was set on August 11, 2008. The basic earnings per share for the six-month periods ended June 30, 2008 and 2007 were calculated based on the weighted-average outstanding common stock of 1,215,706 thousand shares and 1,215,045 thousand shares, respectively, which had been adjusted retroactively in proportion to retained earnings and capital reserve capitalized during the corresponding periods.

| | For the six-month period ended June 30, 2008 | | | | |
|---|---|---|---|---|---|
| | Amount | | Weighted-average outstanding common shares | Earnings per share (in dollars) | |
| | Before tax | After tax | (thousand shares) | Before tax | After tax |
| Basic earnings per share | | | | | |
| Net income attributable to common stockholders | $ 310,273 | $ 243,314 | 1,215,706 | $ 0.26 | $ 0.20 |
| Dilutive effect of common stock equivalents: employees' bonus | - | - | 146 | - | - |
| Diluted earnings per share | $ 310,273 | $ 243,314 | 1,215,852 | $ 0.26 | $ 0.20 |

Effective January 1, 2008, as employees' bonus could be distributed in the form of stock, the diluted EPS computation shall include those estimated shares that would be increased from employees' stock bonus issuance in the weighted-average number of common shares outstanding during the reporting year, which taking into account the dilutive effects of stock bonus on potential common shares; whereas, basic EPS shall be calculated based on the weighted-average number of common shares outstanding during the reporting year that include the shares of employees' stock bonus for the appropriation of prior year earnings, which have already been resolved at the stockholders' meeting held in the reporting year. Since capitalization of employees' bonus no longer belongs to distribution of stock dividends (or retained earnings and capital reserve capitalized), the calculation of basic EPS and diluted EPS for all periods presented shall not be adjusted retroactively. However, the accounting treatment for the appropriation of employees' bonus for 2007 earnings resolved at the stockholders' meeting held in 2008 is still in accordance with the regulations on capitalization of employees' bonus under paragraphs 19 and 39 of R.O.C. SFAS No. 24, "Earnings per Share".

| | For the six-month period ended June 30, 2007 | | | | |
|---|---|---|---|---|---|
| | Amount | | Weighted-average outstanding common shares (thousand shares) | Earnings per share (in dollars) | |
| | Before tax | After tax | | Before tax | After tax |
| Net income attributable to common stockholders | $ 1,500,037 | $ 1,345,389 | 1,215045 | $ 1.24 | $ 1.11 |

## 26) SECURITIES BROKERAGE ACCOUNTS - NET

| | June 30, 2008 | June 30, 2007 |
|---|---|---|
| Debits: | | |
| Cash in bank - settlement | $ 164,451 | $ 95,698 |
| Accounts receivable - customers' purchases | 3,258,713 | 6,940,684 |
| Accounts receivable - settlement | 2,502,733 | 4,270,134 |
| Net exchange clearing receivable | 1,524,420 | 946,095 |
| | 7,450,317 | 12,252,611 |
| Credits: | | |
| Accounts payable | ( 3,530,149) | ( 7,251,436) |
| Accounts payable - settlement | ( 2,753,959) | ( 4,171,762) |
| Net exchange clearing payable | ( 644,595) | ( 720,578) |
| | ( 6,928,703) | ( 12,143,776) |
| Securities brokerage accounts - net | $ 521,614 | $ 108,835 |

## 27) PERSONNEL, DEPRECIATION AND AMORTIZATION EXPENSES

| | For the six-month period ended June 30, 2008 | | | | |
|---|---|---|---|---|---|
| Nature/ Function | Brokerage | Dealing | Underwriting | Administration | Total |
| Personnel Expenses | | | | | |
| Salaries | $ 556,545 | $ 28,443 | $ 22,323 | $ 260,555 | $ 867,866 |
| Insurance | 31,691 | 2,059 | 1,734 | 4,047 | 39,531 |
| Pension | 32,841 | 1,645 | 1,212 | 2,106 | 37,804 |
| Others | 24,551 | 1,318 | 1,023 | 12,152 | 39,044 |
| Depreciation (Note) | 20,158 | 2,498 | 1,290 | 8,010 | 31,956 |
| Amortization | - | - | - | 1,257 | 1,257 |

| Nature/ Function | For the six-month period ended June 30, 2007 | | | | |
|---|---|---|---|---|---|
| | 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 |

Note：Depreciation on rental assets for the years ended June 30, 2008 and 2007 was $1,980 and $1,979, respectively, and was recorded as non-operating expense.

28) GAIN ON TRADING OF SECURITIES

| | For the six-month periods ended June 30, | |
|---|---|---|
| | 2008 | 2007 |
| Dealer: | | |
| - TAIEX | $ 71,387 | $ 509,799 |
| - OTC | ( 94,440) | 276,088 |
| - Foreign securities | ( 588) | 3,939 |
| | ( 23,641) | 789,826 |
| Underwriters: | | |
| - TAIEX | ( 4,460) | 11,482 |
| - OTC | ( 210) | 40,151 |
| | ( 4,670) | 51,633 |
| Hedging: | | |
| - TAIEX | ( 78,337) | ( 34,764) |
| - OTC | ( 139,164) | 51,373 |
| | ( 217,501) | 16,609 |
| | ($ 245,812) | $ 858,068 |

29) NON-OPERATING EXPENSES AND LOSSES

| | For the six-month periods ended June 30, 2008 | 2007 |
|---|---|---|
| Interest expense | ($ 227,026) | ($ 159,370) |
| Investment loss accounted for under the equity method | ( 264,237) | - |
| Foreign exchange loss | ( 65,773) | ( 19,374) |
| Other non-operating expenses | ( 35,381) | ( 11,844) |
| Total | ($ 592,417) | ($ 190,588) |

30) FINANCIAL STATEMENT PRESENTATION

Certain accounts in the June 30, 2007 financial statements were reclassified to conform with the June 30, 2008 financial statement presentation.

## 5. RELATED PARTY TRANSACTIONS

1) Names and relationships of related parties

| Names of related parties | Relationships with the Company |
|---|---|
| UNI-President Enterprises Corp. | Major Shareholder |
| President Futures Corp. (PFC) | Majority-owned subsidiary |
| President Capital Management Corp.(PCMC) | Majority-owned subsidiary |
| President Securities (HK) Limited (PSHK) | Majority-owned subsidiary |
| President Securities (BVI) Limited (PSBVI) | Majority-owned subsidiary |
| President Securities Investment Trust Corp. | Majority-owned subsidiary |
| President Personal Insurance Agency Co., Ltd. | Majority-owned subsidiary |
| President Insurance Agency Co., Ltd. | Majority-owned subsidiary |
| President Financial Management (HK) Ltd. (Note 1) | Indirectly-owned subsidiary |
| President Securities (Nominee) Limited | Indirectly-owned subsidiary |
| President Chain Store Corp. (PCSC) | Affiliate Company |
| President International Development Corp. (PIDC) | Affiliate Company |

| | |
|---|---|
| President Pharmaceutical Corporation | Affiliate Company |
| Presitex Co., Ltd. | Affiliate Company |
| ScinoPharm Taiwan Ltd. | Affiliate Company |
| TONYI Corporation | Affiliate Company |
| MOSPEC SEMICONDUCTOR CORP. (Note 2) | Affiliate Company |

Note 1: Formerly President futures (HK) Limited.

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

2) Significant related party transactions and balances

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

Futures security deposits receivable

| | For the six-month periods ended June 30, | |
|---|---|---|
| | 2008 | 2007 |
| PFC | $ 1,460,705 | $ 919,421 |

The futures deposits are used for futures transactions.

B. Commission income - Futures

| | For the six-month periods ended June 30, | |
|---|---|---|
| | 2008 | 2007 |
| PFC | $ 45,221 | $ 34,812 |

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, | |
|---|---|---|
| | 2008 | 2007 |
| UNI-President Enterprises Corp. | $ 7,540 | $ 13,077 |
| Others | 6,481 | 6,446 |
| | $ 14,021 | $ 19,523 |

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

## 6. PLEDGED ASSETS

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

| Assets | June 30, 2008 | June 30, 2007 | Purpose |
|---|---|---|---|
| Financial assets at fair value through profit or loss - current | | | |
| Trading securities (par value) | | | |
| - Corporate bonds | $ 100,000 | $ 270,000 | Securities for bonds sold under repurchase agreements |
| - Government bonds | 850,000 | 1,342,000 | Securities for bonds sold under repurchase agreements |
| - Financial bonds | 500,000 | 1,050,000 | Securities for bonds sold under repurchase agreements |
| - International bonds | 547,965 | 592,692 | Securities for bonds sold under repurchase agreements |
| - Bonds purchased under resale agreements（par value） | 2,250,000 | - | Securities for issuance of bonds |
| Financial assets at fair value through - non-current (par value) | | | |
| - Government bonds | - | 1,050,000 | Securities for issuance of bonds |
| - Others (Note) | - | 1,200,000 | Securities for issuance of bonds |
| Restricted assets | | | |
| - Demand deposits | 2,880 | 62,591 | Demand deposits for receipts of underwriting share amounts under custody, employee's salary held in the court and short- |
| - Pledged time deposits | 1,682,000 | 1,566,000 | Securities for short-term loans and guarantees for issuance of commercial papers |
| Fixed Assets | | | |
| - Land and buildings (book value) | 1,389,094 | 1,399,775 | Securities for short-term loans and guarantees for issuance of commercial papers |
| Other assets | | | |
| - Operating guarantee deposits | 700,000 | 700,000 | Security deposits |
| - Exchange clearing deposits | 50,000 | 50,000 | Security deposits |
| - Deposits-out | - | 74,000 | Guarantee deposit for payment of additional i |
| | 12,000 | - | Guarantee for default customers' properties held |
| | 20,200 | - | IRS guarantee deposit |
| Rental assets<br>- Land and buildings (book value) | 39,265 | 39,506 | Securities for short-term loans and guarantees for issuance of commercial papers |
| Idle assets<br>- Land and buildings (book value) | - | - | Securities for short-term loans and guarantees for issuance of commercial papers |

Note: Bonds purchased under resale agreements

7. <u>SIGNIFICANT COMMITMENTS AND CONTINGENT LIABILITIES</u>

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

| Year | Amount |
|---|---|
| 2008 ( July ~ December ) | $ 44,282 |
| 2009 | 69,294 |
| 2010 | 58,187 |
| 2011 | 45,700 |
| 2012 | 29,399 |
| | $ 246,862 |

2) For guarantees provided to the income tax administrative appeal, please refer to Note 4 (25).

4) As of June 30, 2008, the Company had provided the Taiwan Stock Exchange Corporation and GreTai Securities Market with bankers' letters of guarantee in the amount of $430,000 as security for issuance of warrants. The Company provided a promissory note of $4,650,000 as collateral to the bank for obtaining the combined credit line of performance guarantee for warrants, short-term loans and commercial papers payable.

8. <u>SIGNIFICANT LOSS FROM NATURAL DISASTER</u>

NONE

9. <u>SIGNIFICANT SUBSEQUENT EVENTS</u>

NONE

## 10. OTHER EVENTS

### 1) The fair values of the financial instruments

| | June 30, 2008 | | |
|---|---|---|---|
| | | 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 | $ 27,470,543 | $ - | $ 27,470,543 |
| Financial assets for trading purposes | 11,557,771 | 11,557,771 | - |
| Available-for-sale financial assets - non-current | 135,845 | - | 135,845 |
| Operating guarantee deposits | 700,000 | - | 700,000 |
| Exchange clearing deposits | 331,154 | - | 331,154 |
| Deposits-out | 105,027 | - | 103,254 |
| Derivative financial instruments | | | |
| Buy option - futures | 33,652 | 33,652 | - |
| Futures guarantee deposits receivable | 1,460,705 | - | 1,460,705 |
| Derivative financial instrument assets - OTC | 358,201 | 358,201 | - |
| | $ 42,152,898 | $ 11,949,624 | $ 30,201,501 |
| Non-derivative financial instruments | | | |
| Financial liabilities with fair value equal to book value | $ 19,796,725 | $ - | $ 19,796,725 |
| Financial liabilities for trading purposes (excluding derivative financial instruments) | 1,388,665 | 1,388,665 | - |
| Bonds payable | 4,756,958 | - | 4,756,958 |
| Long-term liabilities | 3,178,784 | - | 3,178,784 |
| Derivative financial instruments | | | |
| Call option - futures | 57,293 | 57,293 | - |
| Warrants | 579,327 | 579,327 | - |
| Repurchase of warrants | ( 532,997) | ( 532,997) | - |
| Payables for securities borrowing & lending | 20,454 | 20,454 | |
| Derivative financial instrument liabilities - OTC | 211,424 | 211,424 | - |
| Other financial liabilities - current | 235,413 | 235,413 | - |
| | $ 29,692,046 | $ 1,959,579 | $ 27,732,467 |

| | Book value | an active market | 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 | 16,826,009 | 16,826,009 | - |
| Available-for-sale financial assets - non-current | 141,845 | - | 141,845 |
| Financial assets at fair value through profit or loss - non-current | 1,063,104 | 1,063,104 | - |
| Other financial assets - non-current | - | - | - |
| 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 |
| Long-term liabilities | - | - | - |
| Derivative financial instruments | | | |
| Call option - futures | 141,230 | 141,230 | - |
| Warrants | 1,012,484 | 1,012,484 | - |
| Repurchase of warrants | ( 693,000) | ( 693,000) | - |
| Payables for securities borrowing & lending | - | - | |
| 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 |

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 value of long-term loans was based on the present value of expected cash flow amount.

G) 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, 2008, the financial assets and financial liabilities with fair value risk due to the change of interest amounted to $30,350,452 and $25,894,239, respectively, and the financial liabilities with cash flow risk due to the change of interest amounted to $351,491.

3) For the six-month period ended June 30, 2008, 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 $663,965 and $319,198, 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 separately. 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 separately 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, 2008 Fair value | | June 30, 2007 Fair value | |
|---|---|---|---|---|
| Assets: | | | | |
| Buy option - futures | $ | 33,652 | $ | 4,079 |
| Futures guarantee deposits receivable | | 1,460,705 | | 919,421 |
| Interest rate swap contracts | | 351,491 | | 143,114 |
| Bond options | | 1,267 | | - |
| ELN-Options | | 5,443 | | - |
| | $ | 1,852,558 | $ | 1,066,614 |
| Liabilities: | | | | |
| Warrants | $ | 46,330 | $ | 319,484 |
| Sell option - futures | | 57,293 | | 141,230 |
| Asset swap options | | 97,672 | | 201,395 |
| Bond options | | 452 | | 3,463 |
| Financial liabilities held for trading - CB options | | 110,580 | | - |
| Interest rate swap contracts | | 1,140 | | 651 |
| Structured notes | | 1,580 | | 6,442 |
| ELN liabilities: | | | | |
| - Option money (Note) | | 40,490 | | 10,000 |
| PGN liabilities: | | | | |
| - Fixed income securities (Note) | | 194,923 | | 260,849 |
| | $ | 550,460 | $ | 943,514 |

Note: Recorded as “Other Financial Liabilities”.

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

| | For the six-month period ended June 30, 2008 | |
|---|---|---|
| | Gain (loss) on derivative financial assets - OTC | Unrealized gain (loss) included |
| Interest rate swaps - non-hedging | $ 120,071 | $ 115,486 |
| Options - asset swaps | 8,400 | ( 22,437) |
| Investment loss before treasury bonds issued | 69,636 | - |
| Equity - linked note | 4,288 | 4,288 |
| Principal guaranteed note | ( 3,633) | - |
| Options - CB | ( 26,250) | - |
| Bond options - non-hedging | ( 2,821) | ( 1,634) |
| Buy options - hedging | ( 62) | 2,285 |
| | $ 169,629 | $ 97,988 |

| | 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 |
| Bond options - hedging | ( 3,549) | 222 |
| | $ 22,973 | $ 38,369 |

C) Information of financial instruments

a) Trading of futures

The list of deposits for trading futures:

| | June 30, 2008 | June 30, 2007 |
|---|---|---|
| Futures security deposits receivable | $ 1,460,705 | $ 919,421 |
| Excess security deposits | $ 1,033,176 | $ 533,199 |

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

| | June 30, 2008 | June 30, 2007 |
|---|---|---|
| Gain on futures contract | ($ 136,926) | $ 177,686 |
| Gain on trading options | 610,562 | ( 92,203) |
| | $ 473,636 | $ 85,483 |

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

| | 2008 | 2007 |
|---|---|---|
| Gain (loss) on futures contract - unrealized | - | ( 598) |
| Gain (loss) on options contract - realized | ( 6,910) | ( 842) |
| Gain (loss) on options contract - unrealized | ( 160) | - |
| | ($ 7,070) | 1,158 |

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, 2008 and 2007, notional principal of convertible bond options sold were $923,600 and $688,700, 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, 2008 and 2007, the nominal principals were $206,870,000 and $142,440,000, 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, 2008 and 2007, the nominal principals of ELN were $40,490 and $10,000, respectively, and the nominal principals of PGN were $195,000 and $261,000, 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, 2008 and 2007, the nominal principals of bond options purchased were $2,500,000 and $0, respectively, and the nominal principals of bond options sold were $300,000 and $3,200,000, 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, 2008 | VaR | | |
|---|---|---|---|---|
| | | Mean | Minimum | Maximum |
| Equity securities | $ 51,410 | $ 108,385 | $ 150,320 | $ 51,410 |
| Fixed income securities | 3,272 | 9,425 | 27,068 | 2,011 |
| Derivatives | 43,639 | 51,007 | 95,060 | 21,556 |
| Hybrid instruments | 22,872 | 35,070 | 90,973 | 8,536 |
| Sum | 121,194 | 203,888 | 304,637 | 121,194 |
| Benefits resulting from diversification | 51,213 | 65,460 | 141,506 | 18,285 |
| Total VaR | 69,981 | 138,428 | 203,717 | 69,981 |

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-floating 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, 2008 and 2007, 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 | Financial instrument designated as hedging instrument | Fair value June 30, 2008 | Fair value June 30, 2007 | Period of anticipated cash flow | Period of gain ( loss) recognized in income statement |
|---|---|---|---|---|---|
| Bonds payable | Interest Rate Swap | 1,140 | ($ 651) | By contracts | Recognized over the period |

| Items | June 30, 2008 | June 30, 2007 |
|---|---|---|
| Amount removed from equity and recognized in profit or loss | 21,488 | 108 |

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.

7) Subsidiary-President Futures Corp.

Marketable securities held as of June 30, 2008:

| | | | | As of June 30, 2008 | | | |
|---|---|---|---|---|---|---|---|
| Securities held by | Marketable securities | Relationship of the securities issuer with the securities holder | General ledger account | Number of shares | Book value | Ownership (%) | Fair Value |
| President Futures Corp. | Stock-TFE | None | Available-for-sale financial assets-non current | 3,344,000 | $ 30,400 | 1.52% | $ - |
| | Stock-Holy Stone Ent. Co., Ltd. | None | Financial assets at fair value through profit or loss-current | 50,000 | 1,850 | - | 37.00 |
| | Beneficiary certificates-Cathay Taiwan Quantitative | None | Financial assets at fair value through profit or loss-current | 500,000 | 4,210 | - | 8.42 |

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

(a) Securities held as of June 30, 2008 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： | | | | | | | |
| AAPL | STOCK | 535 | $ 167.440 | $ 89,581 | $ 167.440 | $ 89,581 | |
| ADRA | STOCK | 10,000 | 31.090 | 310,900 | 31.090 | 310,900 | |
| COW | STOCK | 6,100 | 43.340 | 264,374 | 43.340 | 264,374 | |
| DAG | STOCK | 1,700 | 26.990 | 45,883 | 26.990 | 45,883 | |
| DBA | STOCK | 13,350 | 40.680 | 543,078 | 40.680 | 543,078 | |
| DBC | STOCK | 12,000 | 44.780 | 537,360 | 44.780 | 537,360 | |
| DBP | STOCK | 10,900 | 34.240 | 373,216 | 34.240 | 373,216 | |
| DUG | STOCK | 31,900 | 26.710 | 852,049 | 26.710 | 852,049 | |
| EEM | STOCK | 4,000 | 135.720 | 542,880 | 135.720 | 542,880 | |
| EEV | STOCK | 11,000 | 75.590 | 831,490 | 75.590 | 831,490 | |
| EFA | STOCK | 3,000 | 68.670 | 206,010 | 68.670 | 206,010 | |
| EVX | STOCK | 2,600 | 52.325 | 136,045 | 52.325 | 136,045 | |
| EWA | STOCK | 7,400 | 26.470 | 195,878 | 26.470 | 195,878 | |
| EWC | STOCK | 8,800 | 33.160 | 291,808 | 33.160 | 291,808 | |
| EWG | STOCK | 6,600 | 29.440 | 194,304 | 29.440 | 194,304 | |
| EWJ | STOCK | 19,000 | 12.470 | 236,930 | 12.470 | 236,930 | |
| EWS | STOCK | 30,000 | 12.410 | 372,300 | 12.410 | 372,300 | |
| EWT | STOCK | 22,000 | 14.130 | 310,860 | 14.130 | 310,860 | |
| EWU | STOCK | 10,000 | 20.720 | 207,200 | 20.720 | 207,200 | |
| EWZ | STOCK | 5,640 | 89.290 | 503,596 | 89.290 | 503,596 | |
| EZU | STOCK | 2,000 | 97.990 | 195,980 | 97.990 | 195,980 | |
| GDX | STOCK | 5,100 | 48.590 | 247,809 | 48.590 | 247,809 | |
| GLD | STOCK | 10,100 | 91.400 | 923,140 | 91.400 | 923,140 | |
| IAK | STOCK | 6,500 | 36.920 | 239,980 | 36.920 | 239,980 | |
| ICF | STOCK | 3,000 | 75.140 | 225,420 | 75.140 | 225,420 | |
| IEO | STOCK | 1,700 | 86.170 | 146,489 | 86.170 | 146,489 | |
| IGW | STOCK | 2,000 | 51.200 | 102,400 | 51.200 | 102,400 | |
| ITB | STOCK | 23,500 | 14.296 | 335,949 | 14.296 | 335,949 | |
| IVV | STOCK | 2,500 | 128.000 | 320,000 | 128.000 | 320,000 | |
| IYF | STOCK | 6,000 | 67.890 | 407,340 | 67.890 | 407,340 | |
| IYR | STOCK | 3,000 | 60.800 | 182,400 | 60.800 | 182,400 | |

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 |
|---|---|---|---|---|---|---|---|
| KOL | STOCK | 9,300 | $ 58.000 | $ 539,400 | $ 58.000 | $ 539,400 | |
| MA | STOCK | 170 | 265.520 | 45,138 | 265.520 | 45,138 | |
| MON | STOCK | 350 | 126.440 | 44,254 | 126.440 | 44,254 | |
| MOO | STOCK | 5,600 | 61.950 | 346,920 | 61.950 | 346,920 | |
| NLR | STOCK | 5,800 | 34.210 | 198,418 | 34.210 | 198,418 | |
| PHO | STOCK | 6,700 | 20.170 | 138,757 | 20.710 | 138,757 | |
| POT | STOCK | 215 | 228.570 | 49,143 | 228.570 | 49,143 | |
| PSQ | STOCK | 2,000 | 59.020 | 118,040 | 59.020 | 118,040 | |
| PZD | STOCK | 4,200 | 33.210 | 139,482 | 33.210 | 139,482 | |
| QID | STOCK | 2,500 | 44.830 | 112,075 | 44.830 | 112,075 | |
| QLD | STOCK | 800 | 73.350 | 58,680 | 73.350 | 58,680 | |
| RIMM | STOCK | 705 | 116.900 | 82,415 | 116.900 | 82,415 | |
| RWR | STOCK | 3,000 | 65.460 | 196,380 | 65.460 | 196,380 | |
| SLV | STOCK | 3,675 | 172.630 | 634,415 | 172.630 | 634,415 | |
| SLX | STOCK | 500 | 106.000 | 53,000 | 106.000 | 53,000 | |
| UNG | STOCK | 5,800 | 62.970 | 365,226 | 62.970 | 365,226 | |
| USO | STOCK | 1,400 | 113.660 | 159,124 | 113.660 | 159,124 | |
| UUP | STOCK | 6,600 | 22.490 | 148,434 | 22.490 | 148,434 | |
| UYG | STOCK | 10,000 | 20.140 | 201,400 | 20.140 | 201,400 | |
| VNQ | STOCK | 3,000 | 58.420 | 175,260 | 58.420 | 175,260 | |
| XHB | STOCK | 27,500 | 16.430 | 451,825 | 16.430 | 451,825 | |
| XLB | STOCK | 8,000 | 41.730 | 333,840 | 41.730 | 333,840 | |
| XLF | STOCK | 44,900 | 20.260 | 909,674 | 20.260 | 909,674 | |
| XME | STOCK | 1,100 | 94.580 | 103,976 | 94.580 | 103,976 | |
| KURITA WATER INDUSTRIES LTD. | STOCK | 2,000 | 37.372 | 74,743 | 37.372 | 74,743 | |
| SHARP CORP | STOCK | 10,000 | 16.442 | 164,416 | 16.442 | 164,416 | |
| MITSUBISHI HVY | STOCK | 6,000 | 4.812 | 28,870 | 4.812 | 28,870 | |
| NINTENDO | STOCK | 1,200 | 569.608 | 683,530 | 569.608 | 683,530 | |
| MARUBENI | STOCK | 11,000 | 8.435 | 92,782 | 8.435 | 92,782 | |
| Bancnote Series | FUND | 492,024 | 8.937 | 4,397,455 | 8.937 | 4,397,455 | |

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 |
|---|---|---|---|---|---|---|---|
| SAILN 05-7A A | STRUCTURED NOTES | 2,000,000 | $ 0.139 | $ 277,468 | $ 0.139 | $ 277,468 | |
| FFNT 05FF8A N1 | STRUCTURED NOTES | 1,000,000 | 0.064 | 63,864 | 0.064 | 63,864 | |
| SASNM 05-S6A A | STRUCTURED NOTES | 2,000,000 | 0.567 | 1,133,798 | 0.567 | 1,133,798 | |
| GSAMP 05HE4 N1 | STRUCTURED NOTES | 5,000,000 | 0.188 | 941,379 | 0.188 | 941,379 | |
| SASNM 04-23XS A | STRUCTURED NOTES | 5,000,000 | 0.154 | 767,797 | 0.154 | 767,797 | |
| LBAHC 05-3 N2 | STRUCTURED NOTES | 1,000,000 | 0.580 | 580,275 | 0.580 | 580,275 | |
| SARMN 05-10A A | STRUCTURED NOTES | 9,000,000 | 0.429 | 3,862,618 | 0.429 | 3,862,618 | |
| FRENT 04-3 A | STRUCTURED NOTES | 3,490,000 | 0.005 | 17,580 | 0.005 | 17,580 | |
| SARMN 05-5A A | STRUCTURED NOTES | 1,669,000 | 0.557 | 929,885 | 0.557 | 929,885 | |
| FFML 05-FF9 M8 | STRUCTURED NOTES | 3,000,000 | 0.904 | 2,711,544 | 0.904 | 2,711,544 | |
| FFML 05-FFH2 M8 | STRUCTURED NOTES | 3,512,000 | 0.985 | 3,459,225 | 0.985 | 3,459,225 | |
| SAIL 05-8 M8 | STRUCTURED NOTES | 1,000,000 | 0.998 | 997,856 | 0.998 | 997,856 | |
| FL. R GSC EUROPEAN CDO | STRUCTURED NOTES | 2,500,000 | 1.990 | 4,975,000 | 1.990 | 4,975,000 | |
| FL. R ARES VIR | STRUCTURED NOTES | 5,000,000 | 0.500 | 2,500,000 | 0.500 | 2,500,000 | |
| Less：Impairment loss | | | | ( 12,767,529) | | ( 12,767,529) | |
| Total | | | | $ 31,870,481 | | $ 31,870,481 | |
| Long-term investment - equity method | | | | | | | |
| President Securities (HK) Ltd. | STOCK | 182,600,000 | 0.180 | 32,799,687 | 0.180 | 32,799,687 | |
| President Financial Management (HK) Ltd. | STOCK | 10,000,000 | 0.106 | 1,063,486 | 0.106 | 1,063,486 | |
| President Securities (NOMINEE) Ltd. | STOCK | 1,000,000 | 0.113 | 113,012 | 0.113 | 113,012 | |
| | | | | $ 33,976,185 | | $ 33,976,185 | |
| Held-to-maturity financial assets: non-current | | | | | | | |
| Bancnote Series | FUND | 1,053,809 | 7.576 | 7,983,771 | $ 6.663 | $ 7,021,656 | |
| Less：Impairment loss | | | | ( 962,115) | | | |
| | | | | $ 7,021,656 | | | |

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

As of June 30, 2008, the carrying value of $10,450,760 of asset securitization for derivatives was undertaken with the Company's own capital of $23,774,881.

(c) Revenue from consulting in assets management, services and litigation: None.

PSBVI engages in consulting servies. For the six-month period ended June 30, 2008 , the company had revenue of US$ 8,037 from consulting service, and no litigation cases.

d) Balance sheets

PRESIDENT SECURITIES (BVI) LTD.

BALANCE SHEETS

June 30

Expressed in U.S. Dollars

| Assets | 2008 Amount | 2008 % | 2007 Amount | 2007 % | Liabilities and Stockholders' Equity | 2008 Amount | 2008 % | 2007 Amount | 2007 % |
|---|---|---|---|---|---|---|---|---|---|
| Current Assets | | | | | Current Liabilities | | | | |
| Cash and cash equivalents | $ 5,868,502 | 6 | $ 2,004,837 | 2 | Short-term loans | $ 16,912,796 | 18 | $ 6,607,787 | 8 |
| Financial assets at fair value through profit or loss | 31,870,481 | 34 | 28,112,457 | 34 | Bonds sold under repurchase agreements | 17,800,825 | 19 | 31,131,416 | 38 |
| Bonds purchased under resale agreements | - | - | 3,000,000 | 4 | Other payables | 57,880 | - | 242,873 | - |
| Accounts receivable | 7,523,160 | 8 | 201,924 | - | Total | 34,771,501 | 37 | 37,982,076 | 46 |
| Other receivables | 22,000 | - | 3,108,225 | 4 | Stockholders' Equity | | | | |
| Restricted assets | 6,569,743 | 7 | 3,700,000 | 4 | Share caipital | 67,746,000 | 73 | 42,746,000 | 51 |
| Total | 51,853,886 | 55 | 40,127,443 | 48 | Capital reserve | 757,813 | 1 | 757,813 | 1 |
| Long-term investment - equity method | 33,976,185 | 37 | 34,384,747 | 41 | Cumulative translation adjustments | 249,286 | - | 170,350 | - |
| Held-to-maturity financial assets: non-current | 7,983,771 | 9 | 10,646,604 | 13 | Retained earnings | ( 10,672,873) | ( 11) | 1,905,565 | 2 |
| Accumulated impairment: held-to-maturity financial assets: non-current | ( 962,115) | ( 1) | ( 1,596,990) | ( 2) | Total | 58,080,226 | 63 | 45,579,728 | 54 |
| | 7,021,656 | 8 | 9,049,614 | 11 | | | | | |
| Total Assets | $ 92,851,727 | 100 | $ 83,561,804 | 100 | Total Liabilities and Stockholders' Equity | $ 92,851,727 | 100 | $ 83,561,804 | 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 | 2008 Amount | 2008 % | 2007 Amount | 2007 % |
|---|---|---|---|---|
| Revenues | | | | |
| Gain on disposal of financial assets at fair value through profit or loss | $ - | - | $ 514,042 | 17 |
| Gain on futures transactions | 68,868 | 8 | - | - |
| Investment income under equity method | - | - | 2,292,163 | 78 |
| Interest revenue | 667,630 | 78 | 94,552 | 3 |
| Consulting service revenue | 8,037 | 1 | 10,335 | - |
| Operating revenue | 79,193 | 9 | 19,603 | 1 |
| Non-operating revenue | 35,338 | 4 | 31,169 | 1 |
| Total | 859,066 | 100 | 2,961,864 | 100 |
| Expenditures | | | | |
| Loss on financial assets at fair value through profit or loss | ( 411,644) | ( 48) | ( 143,651) | ( 5) |
| Loss on disposal of financial assets at fair value through profit or loss | ( 7,898,947) | ( 919) | - | - |
| Loss on trading of futures | - | - | ( 314,116) | ( 11) |
| Investment loss accounted for under the equity method | ( 2,777,238) | ( 323) | - | - |
| Operating expenses | ( 66,053) | ( 8) | ( 59,389) | ( 2) |
| Non-operating expenses | - | - | - | - |
| Total | ( 11,153,882) | ( 1,298) | ( 517,156) | ( 18) |
| Net (Loss) income | ( $ 10,294,816 ) | ( 1,198 ) | $ 2,444,708 | 82 |

f) Transactions between related parties and foreign business： None

C. Disclosure of investment in Mainland China：

Not applicable.

12. SEGMENT FINANCIAL INFORMATION

Not applicable.