

**(English Translation of Financial Report Originally Issued In Chinese)**

**JIH SUN FINANCIAL HOLDING CO., LTD.  
AND SUBSIDIARIES**

**CONSOLIDATED FINANCIAL STATEMENTS**

**DECEMBER 31, 2011 AND 2010**

**AND**

**INDEPENDENT AUDITORS' REPORT**

The reader is advised that these financial statements have been prepared originally in Chinese. In the event of a conflict between these financial statements and the original Chinese version of difference in interpretation between the two versions, the Chinese language financial statements shall prevail.

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(English Translation)  
**JIH SUN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES**

**CONSOLIDATED FINANCIAL STATEMENTS**

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**(English Translation)**  
**Independent Auditors' Report**

The Board of Directors  
Jih Sun Financial Holding Co., Ltd.

We have audited the accompanying consolidated balance sheets of Jih Sun Financial Holding Co., Ltd. and its subsidiaries as of December 31, 2011 and 2010, and the related consolidated statements of income, changes in stockholders' equity and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Jih Sun Financial Holding Co., Ltd. and its subsidiaries as of December 31, 2011 and 2010, and the results of its consolidated operations and its consolidated cash flows for the years then ended, in conformity with the "Regulations Governing the Preparation of Financial Reports by Financial Holding Companies" and generally accepted accounting principles in the Republic of China.

As stated in Note 3, effective from January 1, 2011, Jih Sun Financial Holding Co., Ltd. and its subsidiaries adopted the third amendment of SFAS No. 34 "Financial Instruments: Recognition and Measurement."

KPMG  
Taipei, Taiwan, R.O.C.  
March 1, 2012

Notice to Readers

The accompanying consolidated financial statements are intended only to present the financial position, results of operations and cash flows in accordance with the accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures, and practices to audit such financial statements are those generally accepted and applied in the Republic of China.

The auditors' report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of, the English and Chinese language auditors' report and financial statements, the Chinese version shall prevail.

**(English Translation of Financial Report Originally Issued in Chinese)**  
**JIH SUN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
**December 31, 2011 and 2010**  
**(Expressed in Thousands of New Taiwan Dollars)**

| ASSETS   | December 31,          |                    |           | LIABILITIES AND STOCKHOLDERS' EQUITY  | December 31,          |                    |            |
|--|-----------------------|--------------------|-----------|---|-----------------------|--------------------|------------|
|  | 2011                  | 2010               | Change in |   | 2011                  | 2010               | Change in  |
|  | Amount                | Amount             | (%)       |   | Amount                | Amount             | (%)        |
| Cash and cash equivalents (Notes 2(E) and 4(A))  | \$ 9,554,302          | 5,409,481          | 77        | Deposits from the Central Bank and banks (Note 4(N))  | \$ 10,463,002         | 6,967,852          | 50         |
| Due from the Central Bank and call loans to banks (Notes 2(F) and 4(B))                          | 25,689,180            | 35,460,920         | (28)      | Commercial papers issued-net (Notes 4(O) and 6)   | 3,815,485             | 6,205,029          | (39)       |
| Financial assets measured at fair value through profit or loss (Notes 2(G)(K) , 4(C)(AB)) and 6) | 25,722,665            | 31,758,145         | (19)      | Financial liabilities measured at fair value through profit or loss (Notes 2(G)(K)(V) and 4(P)(AB)) | 548,848               | 1,139,766          | (52)       |
| Securities purchased under resell agreements (Notes 2(L) and 4(D))                               | 1,639,441             | 453,095            | 262       | Securities sold under repurchase agreements (Notes 2(L) and 4(Q))                                   | 13,180,703            | 2,689,120          | 390        |
| Receivables-net (Notes 2(M)(N)(O), 4(E)(F) and 5)  | 17,182,384            | 25,034,890         | (31)      | Payables (Notes 2(N)(U) and 4(R))   | 17,115,795            | 13,736,763         | 25         |
| Discounts and loans-net (Notes 2(O), 4(F) and 5)   | 132,470,587           | 128,721,950        | 3         | Deposits and exchange (Notes 4(S) and 5)  | 166,830,053           | 178,713,753        | (7)        |
| Available-for-sale financial assets-net (Notes 2(H), 4(G)(AB) and 6)                             | 14,966,270            | 2,349,403          | 537       | Bonds payable (Note 4(T))   | 4,500,000             | 4,500,000          | -          |
| Held-to-maturity financial assets-net (Notes 2(I) and 4(H))                                      | 300,000               | 300,000            | -         | Other borrowings (Notes 4(U) and 6)   | 463,654               | 5,060,000          | (91)       |
| Equity investments under equity method-net (Notes 2(P) and 4(I))                                 | 234,901               | 240,883            | (2)       | Other financial liabilities   | 286,092               | 119,658            | 139        |
| Other financial assets-net (Notes 2(J)(U), 4(J), 5, 6)   | 12,874,217            | 10,652,314         | 21        | Other reserves (Notes 2(W))   | 124,527               | 406,408            | (69)       |
| Fixed assets-net (Notes 2(Q), 4(K) and 6)  | 5,768,762             | 5,987,446          | (4)       | Other liabilities (Notes 2(Z) and 4(V))   | 341,267               | 511,958            | (33)       |
| Intangible assets-net (Notes 2(R)(S) and 4(L))   | 215,913               | 319,073            | (32)      | <b>Total Liabilities</b>  | <b>217,669,426</b>    | <b>220,050,307</b> | <b>(1)</b> |
| Other assets-net (Notes 2(T)(Z) and 4(M)(V)(Y))  | 1,614,644             | 1,707,453          | (5)       | <b>Stockholders' equity</b>   |                       |                    |            |
|  |                       |                    |           | Capital (Note 4(W))   |                       |                    |            |
|  |                       |                    |           | Common stock  | 25,530,155            | 23,518,557         | 9          |
|  |                       |                    |           | Preferred stock   | 2,218,469             | 2,297,543          | (3)        |
|  |                       |                    |           | Retained earnings: (Note 4(X))  |                       |                    |            |
|  |                       |                    |           | Legal reserve   | 281,742               | -                  | 100        |
|  |                       |                    |           | Special reserve   | 641,677               | -                  | 100        |
|  |                       |                    |           | Unappropriated earnings   | 2,118,638             | 2,817,422          | (25)       |
|  |                       |                    |           | Total Retained earnings   | 3,042,057             | 2,817,422          | 8          |
|  |                       |                    |           | Other equity:   |                       |                    |            |
|  |                       |                    |           | Cumulative translation adjustments  | (219,537)             | (277,673)          | 21         |
|  |                       |                    |           | Unrealized gains on financial instruments (Notes 2(H)) and 4(AB))                                   | 51,286                | 8,299              | 518        |
|  |                       |                    |           | Net losses not recognized as pension cost (Note 2(Z))   | (85,069)              | (43,238)           | (97)       |
|  |                       |                    |           | <b>Total stockholders' equity of parent company</b>   | <b>30,537,361</b>     | <b>28,320,910</b>  | <b>8</b>   |
|  |                       |                    |           | Minority interest   | 26,479                | 23,836             | 11         |
|  |                       |                    |           | <b>TOTAL STOCKHOLDERS' EQUITY</b>   | <b>30,563,840</b>     | <b>28,344,746</b>  | <b>8</b>   |
|  |                       |                    |           | <b>SIGNIFICANT COMMITMENTS AND CONTINGENCIES (Note 7)</b>   |                       |                    |            |
| <b>TOTAL ASSETS</b>  | <b>\$ 248,233,266</b> | <b>248,395,053</b> | <b>-</b>  | <b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>   | <b>\$ 248,233,266</b> | <b>248,395,053</b> | <b>-</b>   |

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

(English Translation of Financial Report Originally Issued in Chinese)  
**JIH SUN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF INCOME**  
**For The Years Ended December 31, 2011 and 2010**  
**(Expressed in Thousands of New Taiwan Dollars, except for Earnings Per Share)**

|  | For the years ended December 31, |                  | Change in<br>(%) |              |
|--|----------------------------------|------------------|------------------|--------------|
|  | 2011<br>Amount                   | 2010<br>Amount   |                  |              |
| <b>Revenues (Note 2(AA)) :</b>   |                                  |                  |                  |              |
| Interest incomes   | \$ 4,857,683                     | 4,604,086        | 6                |              |
| Less: Interest expenses (Note 5)   | 1,558,516                        | 1,325,800        | 18               |              |
| <b>Net Interest Income</b>   | <b>3,299,167</b>                 | <b>3,278,286</b> | <b>1</b>         |              |
| Except for net interest income   |                                  |                  |                  |              |
| Gains on sale of non-performing loan (Note 11(A))  | 928,752                          | -                | 100              |              |
| Net service fee and commissions income   | 3,576,964                        | 4,345,962        | (18)             |              |
| (Losses) gains on financial assets or liabilities measured at fair value through profit and loss (Notes 4(C)(P)) | (1,257,228)                      | 448,653          | (380)            |              |
| Realized gains (losses) on available-for-sale financial assets   | 1,012                            | (75,804)         | 101              |              |
| Income from equity investments under the equity method (Note 4 (I))  | 19,992                           | 28,821           | (31)             |              |
| Foreign exchange gains   | 4,220                            | 112,531          | (96)             |              |
| (Impairment loss on assets) reversal of impairment loss (Note 2(C))  | (48,150)                         | 155,776          | (131)            |              |
| Net loss on disposal of foreclosed collaterals   | (11,844)                         | (125,932)        | 91               |              |
| Recovered bad debts and overdue accounts - net   | 1,230,031                        | 997,585          | 23               |              |
| Net other non-interest incomes (Notes 4(AA) and 5)   | 979,344                          | 254,709          | 284              |              |
| Subtotal   | 5,423,093                        | 6,142,301        | (12)             |              |
| <b>Net Revenues</b>  | <b>8,722,260</b>                 | <b>9,420,587</b> | <b>(7)</b>       |              |
| <b>Bad Debt Expenses</b>   | <b>692,427</b>                   | <b>568,970</b>   | <b>22</b>        |              |
| <b>Operating Expenses</b>  |                                  |                  |                  |              |
| Personnel expenses   | 3,438,221                        | 3,383,163        | 2                |              |
| Depreciation and amortization expenses (Note 4(L))   | 345,373                          | 605,410          | (43)             |              |
| Other general and administrative expenses (Note 5)   | 2,077,276                        | 1,993,999        | 4                |              |
| Total operating expenses   | 5,860,870                        | 5,982,572        | (2)              |              |
| <b>Total Expenses</b>  | <b>6,553,297</b>                 | <b>6,551,542</b> | <b>-</b>         |              |
| <b>Net Consolidated Income Before Income Tax</b>   | <b>2,168,963</b>                 | <b>2,869,045</b> | <b>(24)</b>      |              |
| <b>Income tax expense (Notes 2(Y) and 4(Y))</b>  | <b>(47,491)</b>                  | <b>(49,122)</b>  | <b>(3)</b>       |              |
| <b>Consolidated Net Income</b>   | <b>\$ 2,121,472</b>              | <b>2,819,923</b> | <b>(25)</b>      |              |
| <b>Consolidated Income Attributable to :</b>   |                                  |                  |                  |              |
| Parent company shareholders net income   | \$ 2,118,638                     | 2,817,422        | (25)             |              |
| Minority interest income   | 2,834                            | 2,501            | 13               |              |
| <b>Consolidated Net Income</b>   | <b>\$ 2,121,472</b>              | <b>2,819,923</b> | <b>(25)</b>      |              |
|  | <b>Before</b>                    | <b>After</b>     | <b>Before</b>    | <b>After</b> |
|  | <b>tax</b>                       | <b>tax</b>       | <b>tax</b>       | <b>tax</b>   |
| <b>Primary Earnings Per Share (Expressed in New Taiwan Dollars) (Notes 2(AC) and 4(Z))</b>                       | <b>\$ 0.82</b>                   | <b>0.80</b>      | <b>1.19</b>      | <b>1.17</b>  |
| <b>Primary earnings per share-retroactively adjusted (Expressed in New Taiwan Dollars)</b>                       | <b>\$ -</b>                      | <b>-</b>         | <b>1.10</b>      | <b>1.08</b>  |
| <b>Diluted earnings per share (Expressed in New Taiwan Dollars) (Notes 2(AC) and 4(Z))</b>                       | <b>\$ 0.78</b>                   | <b>0.76</b>      | <b>1.11</b>      | <b>1.09</b>  |
| <b>Diluted earnings per share - retroactively adjusted (Expressed in New Taiwan Dollars)</b>                     | <b>\$ -</b>                      | <b>-</b>         | <b>1.03</b>      | <b>1.02</b>  |

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

(English Translation of Financial Report Originally Issued in Chinese)  
**JIH SUN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY**  
**For The Years Ended December 31, 2011 and 2010**  
**(Expressed in Thousands of New Taiwan Dollars)**

|  | Capital stock        |                  |                   | Retained earnings |                 |  | Other adjustments to stockholders' equity |   |  |                  | Stockholders' equity of parent company | Minority interest | Total             |
|--|----------------------|------------------|-------------------|-------------------|-----------------|--|---|---|--|------------------|--|-------------------|-------------------|
|  | Common stock         | Preferred stock  | Total             | Legal reserve     | Special reserve | Unappropriated earnings (accumulated losses) | Cumulative translation adjustments        | Net losses not recognized as pension cost | Unrealized (losses) gains on financial instruments | Total            |  |                   |                   |
| <b>Beginning Balance - January 1, 2010</b>   | \$ 45,211,494        | 4,416,740        | 49,628,234        | -                 | -               | (23,812,134)                                 | (123,876)                                 | (21,201)                                  | (85,269)   | (230,346)        | 25,585,754                             | 23,655            | 25,609,409        |
| Capital stock offset accumulated deficit   | (21,692,937)         | (2,119,197)      | (23,812,134)      | -                 | -               | 23,812,134                                   | -   | -   | -  | -                | -                                      | -                 | -                 |
| Net income for 2010  | -                    | -                | -                 | -                 | -               | 2,817,422                                    | -   | -   | -  | -                | 2,817,422                              | 2,501             | 2,819,923         |
| Cumulative translation adjustment of long-term equity investment in subsidiaries                     | -                    | -                | -                 | -                 | -               | -  | (153,797)                                 | -   | -  | (153,797)        | (153,797)                              | -                 | (153,797)         |
| Changes in unrealized gains (losses) on available-for-sale financial assets of subsidiaries          | -                    | -                | -                 | -                 | -               | -  | -   | -   | 93,568   | 93,568           | 93,568                                 | -                 | 93,568            |
| Adjustment of net losses not recognized as pension cost  | -                    | -                | -                 | -                 | -               | -  | -   | (22,037)                                  | -  | (22,037)         | (22,037)                               | -                 | (22,037)          |
| Changes in minority interest   | -                    | -                | -                 | -                 | -               | -  | -   | -   | -  | -                | -                                      | (2,320)           | (2,320)           |
| <b>Ending balance - December 31, 2010</b>  | <b>23,518,557</b>    | <b>2,297,543</b> | <b>25,816,100</b> | <b>-</b>          | <b>-</b>        | <b>2,817,422</b>                             | <b>(277,673)</b>                          | <b>(43,238)</b>                           | <b>8,299</b>                                       | <b>(312,612)</b> | <b>28,320,910</b>                      | <b>23,836</b>     | <b>28,344,746</b> |
| Earnings appropriation and distribution:   |                      |                  |                   |                   |                 |  |   |   |  |                  |  |                   |                   |
| Legal reserve  | -                    | -                | -                 | 281,742           | -               | (281,742)                                    | -   | -   | -  | -                | -                                      | -                 | -                 |
| Special reserve  | -                    | -                | -                 | -                 | 312,613         | (312,613)                                    | -   | -   | -  | -                | -                                      | -                 | -                 |
| Cash dividends - Common stock  | -                    | -                | -                 | -                 | -               | (214,724)                                    | -   | -   | -  | -                | (214,724)                              | -                 | (214,724)         |
| Cash dividends - Preferred stock   | -                    | -                | -                 | -                 | -               | (75,819)                                     | -   | -   | -  | -                | (75,819)                               | -                 | (75,819)          |
| Capital increase through capitalization of retained earnings   | 1,932,524            | -                | 1,932,524         | -                 | -               | (1,932,524)                                  | -   | -   | -  | -                | -                                      | -                 | -                 |
| Conversion of preferred stock to common stock  | 79,074               | (79,074)         | -                 | -                 | -               | -  | -   | -   | -  | -                | -                                      | -                 | -                 |
| Net income for 2011  | -                    | -                | -                 | -                 | -               | 2,118,638                                    | -   | -   | -  | -                | 2,118,638                              | 2,834             | 2,121,472         |
| Cumulative translation adjustment of long-term equity investment in subsidiaries                     | -                    | -                | -                 | -                 | -               | -  | 58,136                                    | -   | -  | 58,136           | 58,136                                 | -                 | 58,136            |
| Changes in unrealized gains (losses) on available-for-sale financial assets of subsidiaries          | -                    | -                | -                 | -                 | -               | -  | -   | -   | 42,987   | 42,987           | 42,987                                 | -                 | 42,987            |
| Adjustment of net losses not recognized as pension cost  | -                    | -                | -                 | -                 | -               | -  | -   | (41,831)                                  | -  | (41,831)         | (41,831)                               | -                 | (41,831)          |
| Changes in minority interest   | -                    | -                | -                 | -                 | -               | -  | -   | -   | -  | -                | -                                      | (1,851)           | (1,851)           |
| Reclassification of trading loss reserve and default loss reserve as special reserve of subsidiaries | -                    | -                | -                 | -                 | 329,064         | -  | -   | -   | -  | -                | 329,064                                | 1,660             | 330,724           |
| <b>Ending balance - December 31, 2011</b>  | <b>\$ 25,530,155</b> | <b>2,218,469</b> | <b>27,748,624</b> | <b>281,742</b>    | <b>641,677</b>  | <b>2,118,638</b>                             | <b>(219,537)</b>                          | <b>(85,069)</b>                           | <b>51,286</b>                                      | <b>(253,320)</b> | <b>30,537,361</b>                      | <b>26,479</b>     | <b>30,563,840</b> |

Note: For the years ended December 31, 2011 and 2010, the related information of directors' and supervisors' remuneration and the employee bonuses, please refer to Note 4(X).

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

(English Translation of Financial Report Originally Issued in Chinese)  
**JIH SUN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**For The Years Ended December 31, 2011 and 2010**  
(Expressed in Thousands of New Taiwan Dollars)

|  | <u>2011</u>         | <u>2010</u>         |
|--|---------------------|---------------------|
| <b>Cash flows from operating activities:</b>   |                     |                     |
| <b>Consolidated net income</b>   | \$ 2,121,472        | 2,819,923           |
| <b>Adjustments:</b>  |                     |                     |
| Depreciation expense   | 219,714             | 260,252             |
| Amortization expense   | 125,659             | 345,158             |
| Reversal of trading loss reserve   | -                   | (8,346)             |
| Provision for default loss reserve   | -                   | 11,683              |
| Unrealized valuation losses on financial assets and liabilities                            | 144,069             | 205,589             |
| Miscellaneous provisions   | 692,427             | 568,970             |
| Investment income on equity investments under equity method                                | (19,992)            | (28,821)            |
| Cash dividends received from equity method investees                                       | 25,974              | 20,904              |
| Losses on disposal and retirement of property and equipment                                | 17,669              | 12,690              |
| Gains on disposal of fixed assets  | (66,260)            | (9,080)             |
| Realized (gains) losses on available-for-sale financial assets                             | (1,012)             | 75,804              |
| Fixed assets transferred to expenses   | 26,419              | 66                  |
| (Reversal of) impairment loss on financial assets  | (5,003)             | 3,770               |
| Impairment loss (reversal of impairment loss) on non-financial assets                      | 53,153              | (159,546)           |
| Losses on disposal of foreclosed collaterals   | 11,844              | 125,932             |
| <b>Changes in operating assets and liabilities:</b>  |                     |                     |
| <b>Changes in operating assets:</b>  |                     |                     |
| Decrease (increase) in receivables   | 7,893,067           | (2,808,331)         |
| Decrease (increase) in financial assets measured at fair value through profit or loss      | 5,609,883           | (20,361,423)        |
| (Increase) decrease in other assets  | (165,192)           | 184,333             |
| <b>Total changes in operating assets</b>   | <u>13,337,758</u>   | <u>(22,985,421)</u> |
| <b>Changes in operating liabilities:</b>   |                     |                     |
| Increase (decrease) in payables  | 3,379,032           | (1,420,963)         |
| (Decrease) increase in financial liabilities measured at fair value through profit or loss | (445,261)           | 585,869             |
| <b>Total changes in operating liabilities</b>  | <u>2,933,771</u>    | <u>(835,094)</u>    |
| <b>Net cash provided by (used in) operating activities</b>                                 | <u>19,617,662</u>   | <u>(19,575,567)</u> |
| <b>Cash flows from investing activities:</b>   |                     |                     |
| Acquisition of property and equipment  | (174,354)           | (108,245)           |
| Proceeds from disposal of property and equipment   | 191,259             | 33,864              |
| Acquisition of intangible assets   | (17,838)            | (9,774)             |
| Proceeds from disposal of foreclosed collaterals   | 165,604             | 243,844             |
| Decrease in due from the Central Bank and call loans to banks                              | 9,771,740           | 5,383,717           |
| Increase in discounts and loans  | (4,301,829)         | (3,318,059)         |
| Increase in securities purchased under resell agreements                                   | (1,186,346)         | (451,782)           |
| (Increase) decrease in other financial assets  | (2,216,900)         | 541,395             |
| (Increase) decrease in available-for-sale financial assets                                 | (12,572,868)        | 470,196             |
| Increase in held-to-maturity financial assets  | -                   | (300,000)           |
| <b>Net cash (used in) provided by investing activities</b>                                 | <u>(10,341,532)</u> | <u>2,485,156</u>    |
| <b>Cash flows from financing activities:</b>   |                     |                     |
| (Decrease) increase in commercial papers issued  | (2,389,544)         | 2,156,777           |
| Decrease in financial bonds payable  | -                   | (4,000,000)         |
| (Decrease) increase in other borrowings  | (4,596,346)         | 2,080,000           |
| Increase (decrease) in securities sold under repurchase agreements                         | 10,491,583          | (1,374,609)         |
| Increase in other financial liabilities  | 166,434             | 33,208              |
| (Decrease) increase in other liabilities   | (180,628)           | 81,154              |
| Cash dividends   | (290,543)           | -                   |
| Increase (decrease) in deposits from the Central Bank and banks                            | 3,495,150           | (3,886,378)         |
| (Decrease) increase in deposits and exchange   | (11,883,700)        | 21,699,461          |
| Changes in minority interest   | (1,851)             | (2,320)             |
| <b>Net cash (used in) provided by financing activities</b>                                 | <u>(5,189,445)</u>  | <u>16,787,293</u>   |
| <b>Effect of exchange rate changes</b>   | 58,136              | (153,797)           |
| <b>Net increase (decrease) in cash and cash equivalents</b>                                | 4,144,821           | (456,915)           |
| <b>Cash and cash equivalents, Beginning of the year</b>                                    | 5,409,481           | 5,866,396           |
| <b>Cash and cash equivalents, End of the year</b>  | <u>\$ 9,554,302</u> | <u>5,409,481</u>    |
| <b>Supplemental cash flow information:</b>   |                     |                     |
| Interest paid during the year  | <u>\$ 1,505,960</u> | <u>1,392,708</u>    |
| Income taxes paid during the year  | <u>\$ 122,853</u>   | <u>625,536</u>      |
| <b>Non-cash investing and financing activities :</b>                                       |                     |                     |
| Unrealized gain (loss) on available-for-sale financial assets                              | <u>\$ 42,987</u>    | <u>93,568</u>       |
| Net losses not recognized as pension cost  | <u>\$ (41,831)</u>  | <u>(22,037)</u>     |
| Capital stock offset accumulated deficit   | <u>\$ -</u>         | <u>23,812,134</u>   |

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

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**(All amounts expressed in thousands of New Taiwan dollars, unless otherwise indicated)**

## **1. OVERVIEW**

### **(A) Overview**

Jih Sun Financial Holding Co., Ltd. (the “Company”) was established to comply with the trend in global financial development, respond to government financial reforms, achieve greater economies of scale, extend management efficiency, and strengthen financial cross-industry market competitiveness. In order to cross-sell across Jih Sun group, share client sources, raise management efficiency and enjoy tax benefits, Jih Sun International Commercial Bank Co., Ltd. and Jih Sun Securities Co., Ltd. held extraordinary shareholders’ meetings on December 14, 2001, respectively. The resolution reached at the meeting was to announce an exchange of shares between the both companies and transfer into a new “Jih Sun Financial Holding Co., Ltd.” The date of transfer was settled on February 5, 2002, and the Company was officially established on the date.

The principal business and other activities approved by the competent authority of the Government are H801011 financial holding company business. The Company conducts the business in the following sectors: Investment banking, bills financing, credit cards, insurance, securities, futures, venture capital, investment of overseas financial institutions and other financial related businesses approved by the competent authority.

On May 21, 2002, the Company’s Board of Directors resolved to approve the case of merger between the Company, the Company’s subsidiary, Jih Sun Securities Co., Ltd. and Yuan Xin Securities Co., Ltd. According to the terms and conditions stipulated in the merger agreement, Jih Sun Securities Co., Ltd. as the surviving entity, firstly merged with Yuan Xin Securities Co., Ltd. (conversion ratio of 1.2997 shares of Yuan Xin Securities Co., Ltd. exchanged for 1 share of Jih Sun Securities Co., Ltd.). The acquisition date of record was October 10, 2002. Moreover, Shares of Jih Sun Securities Co., Ltd. acquired by shareholders of Yuan Xin Securities Co., Ltd. were exchanged for shares of the Company at a conversion ratio of 1.444 shares of the Company exchanged for one share of Jih Sun Securities Co., Ltd. as approved by SFC Tai-Cai-Zheng-Zi(1) No. 0920130277 dated July 15, 2003. The merger was in effect on July 15, 2003.

As of December 31, 2011 and 2010, the number of the Company’s employees were 20 and the number of the group’s employees were 3,485 and 3,459, respectively.



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(B) Consolidation profile

- a. The Company: Jih Sun Financial Holding Co., Ltd. The companies including in the consolidated financial statements are summarized as follows:

| Investment Company                                 | Subsidiary  | December 31, |         | Conducts business  |
|--|---|--------------|---------|--|
|  |   | 2011         | 2010    |  |
| Jih Sun Financial Holding Co., Ltd.                | Jih Sun Securities Co., Ltd.                              | 100%         | 100%    | Jih Sun Securities Co., Ltd. engages in the activities of securities brokerage, securities trading, securities underwriting, securities margin purchases and short sales, stock transaction agency services, futures trading, auxiliary services for futures trading and stock warrant issuance.   |
| Jih Sun Financial Holding Co., Ltd.                | Jih Sun International Commercial Bank Co., Ltd.           | 100%         | 100%    | Jih Sun International Commercial Bank Co., Ltd. engages in the activities of general deposits, loans and discounts, government bond investment and collection, stocks, short term securities, financial bonds, and other businesses approved by the competent authority of the Central Government. The trust business includes domestic and overseas fund trust transaction and employee investment trust. |
| Jih Sun Financial Holding Co., Ltd.                | Jih Sun International Property Insurance Agency Co., Ltd. | 100%         | 100%    | Property insurance agent.  |
| Jih Sun International Commercial Bank Co., Ltd.    | Jih Sun Life Insurance Agency Co., Ltd.                   | 99%          | 99%     | Life insurance agent.  |
| Jih Sun Securities Co., Ltd.                       | Jih Sun Futures Co., Ltd.                                 | 98.138%      | 98.138% | Domestic and international futures dealing and consulting.   |
| Jih Sun Securities Co., Ltd.                       | Jih Sun International Investment Holding Co., Ltd.        | 100%         | 100%    | Securities brokerage and propriety trading, underwriting, securities research and analysis, corporate and individual financial planning, investment consulting, financing business, investment trust, futures and holding company to recognize profit and loss on investment.  |
| Jih Sun Securities Co., Ltd.                       | Jih Sun Securities Investment Consulting Co., Ltd.        | 100%         | 100%    | Research of securities investment and related events.  |
| Jih Sun International Investment Holding Co., Ltd. | JS Cresvale Securities International Ltd.                 | 100%         | 100%    | Related businesses of brokerage, proprietary trading and underwriting  |

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| <b>Investment Company</b>                          | <b>Subsidiary</b>  | <b>December 31,</b> |             | <b>Conducts business</b>   |
|--|--|---------------------|-------------|--|
|  |  | <b>2011</b>         | <b>2010</b> |  |
| Jih Sun International Investment Holding Co., Ltd. | Jih Sun Financial Services (Cayman) Ltd.                 | 100%                | 100%        | Related businesses of securities financing   |
| JihSun International Investment Holding Co., Ltd.  | Jih Sun Capital Management Ltd.                          | 100%                | 100%        | Related businesses of Funds and Assets management, and recognized consulting income. |
| JS Cresvale Securities International Ltd.          | JS Cresvale Capital Ltd. (JS Cresvale Financing Limited) | 100%                | 100%        | Agency of stocks and futures, sales of funds.  |

When preparing consolidated financial statements, the Company's investments and its subsidiaries stockholders' equity were eliminated. Moreover, the accounts non-performing loan and debt of the inter-company were written-off, and all significant inter-company transactions had been cleared.

- b. Affiliates not included in the consolidated financial statements: None.
- c. Affiliates with different accounting period with the parent company: None.
- d. Affiliates with different accounting policies with the parent company: None.
- e. Unusual risks from foreign affiliates: None.
- f. Regulation or contract restrictions on earnings distribution of individual affiliates:

There were no regulations or contract restrictions on earnings distribution of oversea affiliates- Jih Sun International Investment Holding Co., Ltd., JS Cresvale Securities International Ltd., JS Cresvale Capital Ltd. (JS Cresvale Financing Ltd.), Jih Sun Financial Services (Cayman) Ltd. and Jih Sun Capital Management Ltd. Except for Jih Sun International Commercial Co., Bank Ltd., which is required to make a provision of 30% for capital surplus, and Jih Sun Securities Co., Ltd. and Jih Sun Futures Co., Ltd. which are required to make a provision of 20% for special reserve, the remaining affiliates located in R.O.C have similar restrictions as the Company.

- g. Other significant issues or other information regarding affiliate companies shall be expressed and explained in the consolidated financial statement:

While preparing consolidated financial statements, the Company's investments and its subsidiaries stockholders' equity were eliminated. Intercompany receivables and payables were eliminated. Unrealized gains between the Company and its subsidiaries

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resulting from intercompany transactions are eliminated. Assets and liabilities of foreign subsidiaries are translated into New Taiwan dollar equivalents at the spot rates of the balance sheet date; stockholders' equity is translated by the historical rates except for the beginning balance of retained earnings. Revenues and expenses are translated at the weighted-average rate during the period, with exchange differences included in stockholders' equity as "cumulative translation adjustments."

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of, the English and Chinese language financial statements, the Chinese version shall prevail.

The Company and its subsidiaries' consolidated financial statements were prepared in conformity with the Regulations Governing the Preparation of Financial Reports by Financial Holding Companies and generally accepted accounting principles in the Republic of China. The significant accounting policies and bases of measurement adopted in preparing these financial statements are as follows:

(A) Basis of compilation for statements of cash flows

The statements of cash flows are compiled based upon cash and cash equivalents.

(B) Accounting Estimation

The Company's and its subsidiaries' financial statements were prepared in accordance with Generally Accepted Accounting Principles. The Company had to use the reasonable amount of estimation for allowance for bad debt, depreciation of fixed assets, pension, and asset impairment, etc. Because the estimation was usually determined under the uncertain condition, the actual results could differ from these estimates.

(C) Asset Impairment

In accordance with Statements of Financial Accounting Standards (SFAS) No. 35 "Impairment of Assets," unless inapplicable, the recoverable amount (individual assets or cash generating units other than goodwill) of an asset is estimated and compared with the carrying amount whenever there is an indication that the asset may be impaired. An impairment loss is recognized when the recoverable amount is less than the carrying amount (the higher of fair market value and value in use). For assets other than goodwill, reversal of impairment loss is recognized when the recoverable amount of the asset has increased from its prior-period estimation. The book value after the reversal should not exceed the recoverable amount or the depreciated or amortized balance of the assets assuming no impairment loss was recognized in prior period.

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(D) Foreign Currency Transactions and Translation of Foreign Currency Financial Statement

For the Company and its subsidiaries, monetary assets and liabilities denominated in foreign currencies are revalued at the spot rate on the balance sheet date. The resulting exchange gains or losses are recorded as non-operating income or loss. Non-monetary assets or liabilities denominated in foreign currencies are measured at the historical exchange rate of the transaction date. Non-monetary assets or liabilities denominated in foreign currencies that are measured at fair value are translated into the functional currency using the spot rate at the balance sheet date. If the non-monetary assets or liabilities are measured at fair value through profit or loss, the resulting unrealized exchange income (loss) from such translations is reflected in the accompanying statements of income. If the non-monetary assets or liabilities are measured at fair value through stockholders' equity, the resulting unrealized exchange income (loss) from such translations is recorded as a separate component of stockholders' equity.

Foreign operating institution with equity-method of the Company's subsidiary, Jih Sun Securities Co., Ltd., are booked in the functional currency. The translated differences is determined by the translation of the financial statement of foreign currency into domestic currency which are accounted under shareholders' equity as cumulative translation adjustment after tax. The adjustments will be incorporated into the profit or loss when the foreign operating institution is sold out or under liquidation.

(E) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, checks for clearing, petty cash, due from the other banks and short-term investments that are readily convertible to fixed amounts of cash and the interest rate fluctuations have little effect on their values with a short term maturity.

(F) Due from the Central Bank and Call Loans to Banks

It refers that the amount of deposit in central bank, reserve fund, call loan to banks and banks overdraft amount.

(G) Financial assets or liabilities measured at fair value through profit or loss

a. Financial assets measured at fair value through profit or loss

The Company and its subsidiaries adopted SFAS No. 34 "Financial Instruments: Recognition and Measurement". Financial assets held for trading are accounted for using trade date accounting and measured at fair value when initially recognized.

Financial assets measured at fair value through profit or loss – current refer to financial assets held for trading or designated as at fair value through profit or loss.

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Financial assets held for trading refers to financial assets which at the time of initial recognition were designated as asset for the purpose of trading. The following financial assets shall be classified as financial assets held for trading:

- (1) Products acquired primarily for the purpose of sale or repurchase in the near term.
- (2) Assets that are part of a group of distinct financial product portfolios under comprehensive management, where there is evidence that in the near term the group is in fact being managed for short-term profit.
- (3) Financial derivative products (except for financial guaranteed contract and derivative products of effective hedging).

Financial assets held for trading shall be stated under their respective categories, according to trading purpose, as open-end fund and money market instruments, as securities held for operations or as derivative financial products.

Hybrid instruments recognized as embedded derivatives can't be measured individually at the time of acquisition or at subsequent balance sheet dates, or the accounting inconsistency can be eliminated or reduced significantly, the instruments would be designated as financial assets measured at fair value through profit or loss at initial recognition.

“Securities held for operations” refers to securities purchased by dealers or acquired by underwriters that have not yet been resold; they shall be presented in detail in subsidiary ledgers according to domestic or foreign security type. When aforementioned securities are the subject of a repurchase agreement or are subject to any other limitation, such fact shall be noted. In order to match the valuation of hedged underlying warrants hedging securities and avoiding the fluctuation of issuance price of warrants, they are valued at market price. The market price refers to the closing price at the end of accounting period.

Financial assets measured at fair value through profit or loss should be measured at fair value. Except for emerging stocks evaluated by cost method, fair value shall be recognized at the closing price of the balance sheet date. For open-ended funds, fair value refers to the net asset value of the fund on the balance sheet date.

If the Company receives the stocks from financial assets measured at fair value through profit or loss or receives as stock dividends or from additional paid-in capital transferred to the capital, the number of shares received shall be noted by categories and the cost of investment shall be recalculated by applying the weighted-average method.

The Company and its subsidiaries reclassified the financial assets at fair value through profit or loss (not belong to derivative products) as the financial assets available for sale in compliance with the second revised article of SFAS No. 34. The accounting measurement at reclassified date were as follows: the financial assets measured at fair value through profit or loss originally were measured by the fair value at the reclassified date as new cost, and the profit and loss which have been recognized before are not to be reversed.

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b. Financial liabilities measured at fair value through profit or loss

The Company and its subsidiaries adopted SFAS No. 34 “Financial Instruments: Recognition and Measurement” Financial liabilities held for trading are accounted for using trade date accounting and measured at fair value when initially recognized.

Financial liabilities held or issued by the Company and its subsidiaries, when initially recognized, are measured at fair value through profit or loss, with changes in fair value to be recognized in gain or loss.

Financial liabilities measured at fair value through profit or loss-current refers to financial liabilities held for trading or financial liabilities designated as at fair value through profit and loss.

Financial liabilities held for trading refers to financial liabilities which at the time of initial recognition were designated as liabilities for the purpose of trading. The following financial liabilities shall be classified as financial liabilities held for trading:

- (1) Liabilities incurred primarily for the purpose of repurchase in the near term.
- (2) Liabilities that are part of a group of distinct financial product portfolios under comprehensive management, where there is evidence that in the near term the group is in fact being managed for short-term profit.
- (3) Derivative financial liabilities.
- (4) Securities covering obligations in securities financing or securities borrowing.
- (5) Financial assets held for trading whose subsequent valuations measured at fair value as negative.

Derivative financial liabilities refer to those liabilities accounts created when a securities firm engages in derivative financial product transactions.

Hybrid instruments recognized as embedded derivatives can't be measured individually at the time of acquisition or at subsequent balance sheet dates, or the accounting inconsistency can be eliminated or reduced significantly, the instruments would be designated as financial liabilities measured at fair value through profit or loss at initial recognition.

Proceeds received from issuing warrants are recorded as warrants liabilities. Amounts of repurchasing these warrants are recorded as warrants redeemed and counted for the deduction of warrants liabilities. When selling redeemed warrants, costs are calculated by weighted-average method and the related gain or loss are booked as gain or loss on issuance of warrants. Warrants liabilities and warrants redeemed are valued at market value on the balance sheet date, and the gain or loss on issuance of warrants are recorded. The decrease in such liabilities is recognized as a gain on issuance of warrants. The issuer

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can take the cash settlement method if the investors do not exercise until the due date on the basis of Tai- Jheng- Shang NO.0920102843, and if warrants have no exercise-value, the gain on warrants expiration is recognized. When warrants are settled by cash, gains or losses on exercise of warrants are recognized by exercise price plus warrant price at the exercise day minus market price of underlying securities. When warrants are settled by securities, the underlying securities delivered are treated as sold in the market and revenue is recognized by exercise price, while cost is calculated by moving average method.

The fair value of listed or OTC securities is referred to the closing price on the balance sheet date.

(H) Available-for-sale financial assets

The available-for-sale financial assets are initially recognized at fair value, and the transaction cost is recognized as current expense. The fair value is re-measured. Any gain or loss on available-for-sale financial assets is recognized directly in equity, except for impairment losses. When the financial assets are derecognized, the cumulative gain or loss previously recognized in equity is charged to profit or loss. The ordinary purchasing or selling of financial assets are recorded on the trade date. If there is objective evidence that an available-for-sale financial asset is impaired, the carrying amount of the asset is reduced and impairment loss is recognized. If in a subsequent period, the impairment loss of the available-for-sale equity instruments decreases, the amount of the decrease shall not be reversed through profit or loss. If in a subsequent period, the amount of the impairment loss of the available-for-sale debt instruments decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss.

(I) Held-to-maturity financial assets

Debt instruments which the Company and its subsidiaries has a positive intention and the ability to hold to maturity are recorded under held-to-maturity financial assets and measured at amortized cost. The financial instruments are initially recognized at fair value, and the transaction cost is recognized as current expense, gain or loss is recognized in profit or loss when the financial asset is derecognized or impaired, and through the amortization process. The ordinary purchasing or selling of financial assets are recorded on the trade date. If there is objective evidence that a held-to-maturity financial asset is impaired, the carrying amount of the asset is reduced and impairment loss is recognized. If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previous recognized impairment loss is reversed through the profit or loss. The carrying value after the reversal should not exceed the recoverable amount or the depreciated or amortized balance of the assets assuming no impairment loss was recognized.

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(J) Financial assets carried at cost

Equity instruments held by the Company and its subsidiaries with no significant influence and whose fair value cannot be reliably measured are stated at cost. If there is objective evidence that financial assets carried at cost is impaired, the carrying amount of the assets is reduced and impairment loss is recognized. However, the impairment losses may not be reversed subsequently.

(K) Financial Derivative Instruments

The Company and its subsidiaries' financial derivative instruments including foreign exchange forward contracts, foreign currency swap, interest rate swap, cross currency swap, options, structured notes, stock warrant liabilities, futures margin-own funds, etc. If the financial derivative instruments are not held for hedging, they are held for trading purpose. Held for trading purpose includes market making, fulfilling the needs of customers and other related arbitrage activities.

The financial derivative instrument that were held by trading purpose should be measured by fair value, the related net present value was recognized as profit and loss. The fair value refers to the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. If the quoted price was unable to be received, its fair value shall be estimated by evaluation techniques. The financial market's evaluation methods frequently used the recent transaction prices of similar products and the techniques of relevant evaluation to assist in estimating.

The eliminated right of financial derivative instrument measured at fair value has legal force to execute, and an intention to settle on a net basis, financial asset and financial liability should be offset and presented the net amount.

If embedded financial derivative instrument were in compliance with related financial accounting principle, it should be bifurcated from the host contract and accounted for as a derivative. The host contract shall be accounted for under related accounting principle in accordance to its nature of financial or nonfinancial instrument.

(L) Securities under repurchase / resell agreements

Securities purchased/sold under resell/repurchase agreements are treated as financing transactions. When the Company prepares the financial statements, the transactions are recognized as "securities purchased under resell agreements". When securities resell with a commitment. The difference between the purchase price and resell price is treated as interest income.

Securities sold with a commitment to repurchase/resell them at predetermined price and if all risks and rewards reside in the Company during the transaction period, the difference between the selling price and repurchase price is treated as interest expense and recognized over the term of the agreement. On the selling date, these agreements are recognized as the securities sold under repurchase agreement.



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(M) Accounts Receivable of Credit Card Transactions

Consumer loans to credit card holders are recognized by the amounts submitted from the shops, excluding unearned revenue. Interest income thereon is recognized on an accrual basis using the interest method.

(N) Margin Loans, Securities Financing, Refinancing and Securities Borrowing

Margin loans extended to customers by the Company's subsidiary, Jih Sun Securities Co., Ltd. for the purchase of securities are recorded as margin loans receivable. Such loans are secured by the securities purchased by the customers. Customers may redeem the collateral securities upon repayment of the loans.

Deposits collected from customers by Jih Sun Securities Co., Ltd. for short selling of securities are recorded as securities financing refundable deposits. Proceeds from short selling of securities of stock loan (less stock exchange tax, handling fee for consigned trading, and securities financing fee) are collected as collateral by Jih Sun Securities Co., Ltd. and are recorded as deposits payable for securities financing. Customers may receive the deposits and proceeds from repayment of the securities.

When Jih Sun Securities Co., Ltd. lacks sufficient funds for securities financing the margin customers, the refinancing amount acquired from securities finance enterprises is recorded as refinancing borrowings, and the stocks purchased by margin customers are collected as collateral by securities finance enterprises.

When the Company's subsidiary Jih Sun Securities Co., Ltd. refinances securities from securities finance enterprises, if it does not have sufficient securities, the deposit paid is recorded as refinancing margin. Proceeds from sale of loaned stocks collected by the Company as collateral should be transferred to securities finance enterprises, and the amounts is recorded as refinancing collateral receivable.

Moreover, pursuant to Securities and Futures Bureau (SFB) (88) Tai-Cai-Zheng (2) No. 82416, whenever the collateral maintenance ratio of any customer's margin account is lower than the limit set by the government after disposal and if there is still a receivable remaining and payment has yet not been made within the time limit specified, then the receivable should be transferred to overdue receivable. If the securities in a customer's margin account cannot be disposed of, then the receivables for securities provided as collateral, in accordance with the actual situation, should be recognized as other receivables or overdue receivable.

Securities lending is only noted in memo, not recognized as the assets of the Company, vice versa. The acquired collaterals are not stated in the reports if they are securities; whereas, they should be recognized as securities lending refundable deposit if the collaterals are cash collaterals. The securities lending revenue and service fee are recognized as securities lending revenue.

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(O) Loans

a. Loans

Loans of the Company's subsidiary, Jih Sun International Commercial Bank Co., Ltd.'s, include direct lending by the bank or loans purchased from other financial institutions, excluding: (i) loans for trading purposes; (ii) loans that are measured at fair value. The loan is recognized when the cash outflow occurs, and it is derecognized when the borrowers make the repayment, it is sold out, or it is written off. Loans are initially recognized at fair value plus incremental direct transaction costs, the interest income is recognized with the effective interest rate method, which is carried at amortized costs less impairment losses.

b. Non-accrual loans

"Non-performing loans" refer to those loans for which the principal or interest has been overdue for three 3 months or more, and those loans which the principal or interest has not yet been overdue for more than three 3 months, but with regard to which the Bank has sought payment from primary/subordinate debtors or has disposed of collateral. All non-performing loans shall be transferred to non-accrual loans account item within six (6) months after the end of the payment period. However, those restructured loans to be performed in accordance with the restructure agreement shall not be subject to this restriction. Interest shall not be accrued to non-performing loans that are transferred to non-accrual loans account item. However, loan collection shall continue as per the terms of the relevant agreement.

According to "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing and Non-Accrued Loans", loan and other credit balance had been due for payment, but not yet been paid after 6 months, will be reclassified to the non-accrual account including the related accrued interest.

Non-accrual loans reclassified from loans are accounted for under discounts and loans, and other non-accrual loans reclassified from guarantees, acceptances, and receivables-credit card advances are accounted for under other financial assets.

c. Allowances for bad debts

For the securities and futures industries, allowance for bad debts is provided by assessing the impairment loss of the balance of notes and accounts receivable at year-end, in accordance with the third amendment of Financial Accounting Standards (SFAS) No. 34.

For the banking industry, adequate allowance for bad debts is provided by assessing the balance, under the definition of loans and receivables in SFAS No. 34, in accordance with SFAS No. 34, the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-Performing and Non-Accrued Loans," and the "Regulations Governing Institutions Engaging in Credit Card Business"

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The third amendment of SFAS No. 34 was effective from January 1, 2011; the carrying value of loans and receivables within applicable scope as of the end of prior year should be measured at amortized cost in which SFAS No. 34 was initially applied. Under the definition of loans and receivables in SFAS No. 34, the objective evidence should be identified first to reveal impairment existing for financial assets that are individually significant; its impairment should be assessed individually; whereas financial assets that are not individually significant, the impairment should be assessed collectively. If no objective evidence of impairment exists for an individually assessed financial asset, it should be further included in a set of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Because an impairment of individually assessed financial assets is continued to be recognized, it is not required to be assessed collectively.

If there is an objective evidence that an impairment loss on financial assets has been incurred, the amount of the loss is recognized and measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate; when an impairment loss on financial assets has been incurred, the carrying amount of financial assets is reduced through allowance for loss and the amount of the loss should be recognized as bad debt expenses in profit or loss in the current period. The estimation of future cash flows includes the recoverable amount of collateral and related insurance when determining the amount of the loss.

The aforesaid object evidences include:

- (1) Significant financial difficulty of the issuer or obligor;
- (2) A breach of contract, such as a default or delinquency in interest or principal payments;
- (3) The lender, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- (4) It becoming probable that the borrower will enter bankruptcy or other financial reorganization;
- (5) The disappearance of an active market for that financial asset because of the issuer's financial difficulties;
- (6) Adverse changes in the payment status of the borrowers; and
- (7) Changes in national or local economic conditions that correlate with defaults on the assets.

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In accordance with the “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-Performing and Non-Accrued Loans” commencing on January 1, 2011, the allowance for bad debts are determined by the sum of 0.5% of the balance of Category One credit assets, 2% of the balance of Category Two credit assets, 10% of the balance of Category Three credit assets, 50% of the balance of Category Four credit assets, and 100% of the balance of Category Five credit assets, these are the minimum requirements of provision for bad debts and guarantee reserve.

The Company’s subsidiary, Jih Sun International Commercial Bank Co., Ltd. provides reserve for guarantee liabilities for off-balance-sheet non-loan assets in accordance with the “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-Performing and Non-Accrued Loans”.

Any non-performing loans or non-accrual loans, after subtracting the estimated recoverable portion that have one of the following characteristics shall be written off:

- (1) The loan cannot be recovered in full or in part because the debtors have dissolved, gone into hiding, reached a settlement, declared bankruptcy, or for other reasons.
- (2) The collateral and property of the primary/subordinate debtors have been appraised at a very low value or become insufficient to repay the loan after the subtraction of senior mortgages; or the execution cost approaches or possibly exceeds the amount that the bank might collect [from the debtor(s)] where there is no financial benefit in execution.
- (3) The primary/subordinate debtor's collateral has failed to sell at successive auctions where the price of such collateral has been successively lowered, and there is no financial benefit to be derived from the bank’s taking possession of such collateral.
- (4) More than two years have elapsed since the maturity date of the non-performing loans or non-accrual loans, and the efforts of collection have failed.

Any non-performing loans or non-accrual loans which were overdue more than six months but less than two years, subtracting the estimated recoverable portion, could be written off after the efforts of collection have failed.

**(P) Equity Investments Under Equity Method**

Investee in which the Company and its subsidiaries directly or indirectly, hold more than 20% of the outstanding stock with voting right, or hold less than 20% of outstanding stock with voting right but has significant influence over the investment are accounted for under the equity method.

Upon disposition, gain or loss on disposal of long-term equity investment is calculated based on the difference between selling price and book value. The remaining capital surplus arising from long-term equity investment is adjusted to profit or loss proportionate to sales proceeds.

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(Q) Fixed Assets and Depreciation

Fixed assets are stated at acquisition cost, and evaluated by cost less accumulated depreciation. Major additions, improvements, and replacements are capitalized, while maintenance and repairs are expensed currently. Interest incurred in the acquisition of property and until these property are ready for use is capitalized as part of the acquisition costs. Gain or loss on disposal of property and equipment is accounted for under the other non-interest gain or loss.

Depreciation is computed using the straight-line method over the government prescribed useful lives. Leasehold improvement shall be depreciated by the average method with the lower of the lease term or the estimated useful life. Fixed assets still in use after their original estimated useful lives may be depreciated continuously over their estimated remaining useful lives. Useful lives of major property and equipment are as follows:

|                       |               |
|-----------------------|---------------|
| Buildings             | 5 to 60 years |
| Leasehold improvement | 3 to 15 years |
| Others                | 3 to 10 years |

If fixed assets are still in use after their original estimated useful life, the estimated salvage value may still be depreciated over their acceptable useful lives.

(R) Intangible Assets

In compliance with Statement of Financial Accounting Standards No. 37 (SFAS No. 37) "Intangible Assets," the Company and its subsidiaries should measure an intangible asset at original cost. After initial recognition, book value of an intangible asset shall be measured at its cost plus revaluation increment revalued in accordance with the laws, less any accumulated amortization and any accumulated impairment losses.

After the assessments, all intangible assets of the Company and its subsidiaries have limited useful life. The amortization of the intangible assets was recognized as an expense on a straight-line basis over the estimated useful life of the assets; moreover, while the estimated useful life of the asset has impaired, the impairment test shall be undertaken.

The estimated useful life for the intangible assets is as follows:

- a. Computer Software    3-5 years
- b. Operation Right        5 years

The residual value, amortization period, and amortization method for an intangible asset with a finite useful life shall be reviewed at least at each financial year-end. These changes shall be recognized as changes in accounting estimates.

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(S) Goodwill

The goodwill arises from merger or fair market value of net assets, the goodwill can be recognized when the purchase price is greater than fair market value of net assets. The goodwill arise from merger does not need to be amortized. However, impairment losses are recognized while the recoverable amount is less than the carrying amount. Impairment losses cannot be reversed once an impairment loss has been recognized.

(T) Foreclosed Collaterals

Foreclosed collaterals are stated at estimated net fair market value, and the difference between it and the nominal value of the original claim is reflected as bad debt loss. On the balance sheet date, if the foreclosed collaterals are still unsold, the net fair market value shall be reassessed, and the difference after reassessment is accounted for under impairment loss on assets if there is sufficient evidence indicating that the net fair market value is lower than the book value of foreclosed collaterals.

(U) Customer Margin Deposit and Futures Dealer Equity

a. Customer Margin Deposit

The difference between margins and premiums duly collected from a futures trader by an FCM in the course of futures brokerage business, and the corresponding fair-value price, which were accounted for under other financial asset from balance sheet.

b. Futures Dealer Equity

Futures dealer equity refers to the difference between margins and premiums deposited by futures dealer and the corresponding settlement fair value, which were accounted for under current liabilities from balance sheet. The amount can't be offset unless it belongs to the same category account of same customer. When a debit balance arises on Futures trader's equity, it shall be accounted for as futures exchange margins receivable.

(V) Securities Borrowing Transactions

When engaging in securities borrowing transactions, securities company should recognize the amounts of securities sold from securities borrowing as liabilities and classify them by the purpose of hedging or speculation. The Company was engaged in the market-maker of stock options. Due to demands for hedging and settlement of the stock options contracts, the Company opened separate accounts for trading the underlying securities of stock options and undertook the selling of securities borrowing or securities financing. On the basis of Tai-Cai-Zheng (7) NO.0920154924, the amounts from selling of securities borrowing or securities financing are recognized as the "Liabilities on sale of borrowed securities-hedged" and value with HCM method. The market price evaluates at closing price on the date of the accounting period ended. The short covering should calculate by moving-averaged method, the gain from short covering should be recognized as "Gain from short covering", and recorded according to the account of stocks and bonds. The amounts of repurchasing the borrowed stocks or bonds are recognized as a deduction of gain from short covering. Financial liabilities measured at fair value through profit or loss should be measured at fair value, and changes in fair value should be recorded in the profit or loss for the current period.

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(W) Reserve for Operations and Liabilities

a. Reserve for Default losses

In compliance with the Regulations Governing Securities Firms, the Company's subsidiary, Jih Sun Securities Co., Ltd. allocates 0.0028% of the settlement value on a monthly basis and accounts under the other liabilities. The above reserve shall be used only to cover loss arising from customers' default on securities transactions or other purposes approved by the Financial Supervisory Commission. When the accumulated reserve reaches \$200,000, no additional reserve for trading losses is required to be allocated.

The futures commission merchant engaged in futures brokerage shall set aside 2% of its futures brokerage commission income as reserve for default loss each month. If the accumulated default loss reserve reaches the legally required level of minimum paid-in capital, operation fund or working capital, no additional reserve for default loss is required to be set aside. The default loss reserve shall not be used except for the purpose of covering the losses arising from commissioned futures trading or for other purposes approved by the Financial Supervisory Commission.

On January 11, 2011, the Financial Supervisory Commission issued ruling letter FSC Jin-Kuan-Cheng-Chuan No. 0990073857 and Jin-Kuan-Cheng-Ji No. 1000000289 under which it revoked the rules regarding provision for default losses reserve and reserve for trading losses for securities firms contained in the "Regulations Governing Securities Firms". As of December 31, 2010, the amount of default losses reserve which securities firms and futures commission merchants had made provision for should be reclassified as special reserve. The special reserve can only be used to offset a deficit or when it reaches 50% of total paid-in capital, of which 50% can be capitalized.

b. Reserve for Trading Losses

In compliance with the Regulations Governing Securities Firms and the Regulations Governing Future Firms, the Company shall allocate 10% of realized gain on trading securities and futures. The reserve for trading losses shall only be used for covering realized trading losses. When the accumulated reserve reaches \$200,000, no additional reserve for trading losses is required to be allocated.

On January 11, 2011, the Financial Supervisory Commission issued ruling letter FSC Jin-Kuan-Cheng-Chuan No. 0990073857 and Jin-Kuan-Cheng-Ji No. 1000000289 under which it revoked the rules regarding provision for default losses reserve and reserve for trading losses for securities firms contained in the "Regulations Governing Securities Firms". As of December 31, 2010, the amount of trading losses reserve which securities firms and futures commission merchants had made provision for should be reclassified as special reserve. The special reserve can only be used to offset a deficit or when it reaches 50% of total paid-in capital, of which 50% can be capitalized.

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(X) Employee Bonuses, Directors' and Supervisors' Remuneration

Commencing from January 1, 2008, the Company and its subsidiaries estimate the amount of employee bonuses and directors' and supervisors' remuneration according to Interpretation (96) No. 052 issued by the Accounting Research and Development Foundation and recognizes it as personnel expenses. If later the actual allocation amount pursuant to a resolution of the Company and its subsidiaries' board of directors on behalf of shareholders is different from the estimated amount recognized in the financial statements, the difference is accounted as changes in accounting estimates and recognized as profit or loss of the current period.

(Y) Income Tax

The Company and its subsidiaries adopted Statement of Financial Accounting Standards No. 22, "Income Taxes", and recognize deferred income tax liabilities for future taxable temporary differences and deferred income tax assets for future deductible temporary differences, prior year loss carry forwards, and investment tax credits. The future realization of deferred income tax assets is assessed, and a valuation account, if needed, is provided accordingly.

After adopting the imputation tax method in 1998, a 10% surtax on unappropriated earnings is levied as current expense on the date of the stockholders' meeting for declaring the distribution of earnings.

Furthermore, for the year ended December 31, 2003, the Company and its Subsidiaries, "Jih Sun Securities Co., Ltd.", "Jih Sun International Commercial Bank Co., Ltd." and Jih Sun International Property Insurance Agency Co., Ltd. adopted the jointly tax filing return principle to file the annual income tax return and make tax payment. In accordance with Interpretation (92) No.240 issued by the Accounting Research and Development Foundation on October 3, 2003, the accrued receivable and payable between the parent company and subsidiaries are allocated reasonably and consistently to individual companies.

Other subsidiaries, except for Jih Sun International Commercial Bank Co., Ltd., Jih Sun Securities Co., Ltd and Jih Sun International Property Insurance Agency Co., Ltd. are filing income tax report separately.

(Z) Retirement Plan

The Company and its subsidiaries' benefit pension plan payment are calculated in accordance with the number of years the employee served and the employee's average monthly salary for the last six months prior to the retirement. Under the retirement plan, the pension benefits obligation is the responsibility of the Company. The Labor Pension Act of R.O.C. ("the Act"), effective from July 1, 2005; adopts a defined contribution pension plan. In accordance with the Act, employees of the Company (who were hired before July 1, 2005) may elect to be subject to either the Act and maintain their seniority before the enforcement of the Act, or the pension mechanism of the Labor Standards Law. Employees who are hired by the Company after July 1, 2005, are required to be covered by the pension plan as defined by the Act. For employees subject to this Act, the Company is required to make monthly cash contributions to the employees' individual pension accounts at the rate of not less than 6% of the employees' monthly wages and deposit the contribution in a personal retirement benefit account at Council of Labor Affairs. The contribution is recognized as pension expense for the current period.



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Under the benefit pension plans, the end of financial year is the measurement date of the actuarial report, and a minimum pension liability is recorded in the financial statements based on the difference between the accumulated benefit obligation and the fair value of plan assets. Net periodic pension cost recognized in accordance with SFAS No. 18 the actuarial report of the retirement plan includes the current service cost, transition asset, prior service cost and unrecognized gain or loss on the pension plan, which is amortized using the straight-line method over the expected average remaining service period of the employees. Minimum supplementary accrued pension often results from unrecognized prior service cost and unrecognized transitional net assets or net benefit obligations.

If the minimum amount of pension liabilities were lower than the sum amount of unrecognized service cost of prior period and unrecognized transitional net assets or net benefit obligations, it should be recognized as “deferred pension cost under other assets”. If exceed, the exceed part should be recognizes as “Net losses not recognized as pension cost”, and recorded as deduction item of stockholders’ equity.

The pension cost contributions for the employees of foreign subsidiaries are based on the regulations of the countries where those subsidiaries are domiciled.

**(AA) Revenue Recognition Principle**

Brokerage handling fee revenue, gain on sale of securities and futures commission are recognized on the trading day. Gains on futures dealing service fee and commission are recognized on the trading day. Gains from futures contracts and option transactions were base on the gain by daily evaluation, reverse offset or settle on maturity date of trading purpose contract. Expect for the aforementioned incomes, other major interest income and remaining commission are estimated on an accrual basis.

**(AB) Commitments and Contingent Liabilities**

If the losses from commitments and contingencies are deemed probable and the amount can be estimated reasonably, such amount of losses are recorded in the current period; otherwise, only the nature of commitments and contingencies are disclosed in the notes to financial statements.

**(AC) Earnings (Losses) Per Common Shares**

EPS is calculated as dividing current consolidated net profit or loss decreased by preferred stock dividends, by the weight- average number of common shares outstanding during the period. The calculation of diluted EPS assumed that all potential shares with diluted influence are outstanding during the current period. Therefore, both the net income and the number of outstanding shares during the current period should all be adjusted to the influence on potentially dilutive shares.

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In the event of capital decrease, the number of shares outstanding is decreasing. On the other hand, in the event of capitalization of retained earnings or capital surplus, or the new shares that the meeting of the shareholders, for the year ended December 31, 2008, resolved to distribute to the employees as bonuses, the number of shares outstanding is increasing. Both of the shares are retroactively adjusted. If the base date for capital reduction or capitalization of earnings or capital surplus is before the reporting date, the computation of common shares outstanding is also retroactively adjusted.

**(AD) Operating Segments**

An operating segment is a component of the Company and its subsidiaries that engages in business activities from which it may earn revenues and incur expenses. The segment's operating results are reviewed regularly by the Company's chief operating decision maker to make decisions pertaining to the allocation of the resources to the segment and to assess its performance. The operational performance and resource allocation plan are approved by the board of directors of each subsidiary and executed by relevant departments. The chief operating decision maker of the subsidiaries are their respective board of directors. The Company provides financial information to the senior management on a monthly basis and consolidated financial information on a quarterly basis to the board of directors for reviewing.

**3. REASONS FOR AND EFFECT OF ACCOUNTING CHANGES**

Effective from January 1, 2011, the Company and its subsidiaries adopted the third amendment of SFAS No. 34 "Financial Instruments: Recognition and Measurement." In accordance with SFAS No. 34, loans and receivables should apply the regulations on recognition, subsequent evaluation and impairment in SFAS No. 34. The troubled debt restructuring and negotiated debt instruments with new contracts and modification of terms were also in accordance with the third amendment of SFAS No. 34 effective from January 1, 2011. For the year ended December 31, 2011, changes in accounting principle has resulted the provision for loan losses (allowance for bad debts) increased by \$481,091, net income and basic EPS after tax decreased by \$399,306 and \$0.16 (dollar), respectively.

Effective from January 1, 2011, the the Company and its subsidiaries adopted SFAS No. 41 "Operating Segments". In accordance with SFAS No. 41, an entity shall disclose information to enable users of its financial statements to evaluate the nature and financial effects of the business activities in which it engages and the economic environments in which it operates. The Company and its subsidiaries determines and presents operating segments based on the information that internally is provided to the chief operating decision maker. The Standard also supersedes SFAS No. 20 "Segment Reporting". For the year ended December 31, 2011, such changes in accounting principle did not have any impact on the Company and its subsidiaries's net income.

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**4. SUMMARY OF MAJOR ACCOUNTS**

(A) Cash and cash equivalents

|                             | <b>December 31,</b> |                  |
|-----------------------------|---------------------|------------------|
|                             | <b>2011</b>         | <b>2010</b>      |
| Cash on hand and Petty cash | \$ 1,105,925        | 1,196,664        |
| Bank deposits               | 3,517,389           | 2,726,499        |
| Short-term bills            | 4,500,489           | 1,189,547        |
| Checks for clearing         | 430,499             | 296,771          |
| Total                       | <b>\$ 9,554,302</b> | <b>5,409,481</b> |

Checks for clearing consisted of checks deposited in the Bank after the checks clearing cut-off time. As of December 31, 2011 and 2010, the interest rate of short-term bills mentioned above ranged from 0.800% to 0.830% and from 0.475% to 0.490%, the maturity period is from January 2, 2012 to January 18, 2012 and from January 4, 2011 to January 7, 2011, respectively.

(B) Due from the Central Bank and call loans to banks

|   | <b>December 31,</b>  |                   |
|---|----------------------|-------------------|
|   | <b>2011</b>          | <b>2010</b>       |
| Due from the Central Bank – general account | \$ 2,615,436         | 2,448,253         |
| Due from the Central Bank – deposit reserve | 4,504,590            | 4,802,878         |
| Financial Center                            | 306,010              | 308,098           |
| Central bank time deposits                  | 14,600,000           | 26,400,000        |
| Call loans to banks                         | 3,663,144            | 1,501,691         |
| Total                                       | <b>\$ 25,689,180</b> | <b>35,460,920</b> |

Deposit reserve relates to reserve funds deposited in a designated account with the Central Bank, in accordance with the Banking Law, Article No. 42, “Adjustment and Examination of Bank Deposit Reserve.”

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(C) Financial assets measured at fair value through profit or loss

As of December 31, 2011 and 2010, the financial assets held for trading of the Company were as follows:

|  | <b>December 31,</b>  |                   |
|--|----------------------|-------------------|
|  | <b>2011</b>          | <b>2010</b>       |
| Government bonds                               | \$ 13,041,893        | 18,658,302        |
| Corporate bonds                                | 8,421,819            | 5,644,167         |
| Domestic convertible corporate bonds           | 215,789              | 314,261           |
| Domestic exchangeable corporate bonds          | 19,460               | -                 |
| Financial bonds                                | 100,308              | -                 |
| Overseas bonds and convertible corporate bonds | 1,288,804            | 1,147,406         |
| Commercial papers                              | 1,486,253            | -                 |
| Listed and O.T.C. stock                        | 610,312              | 4,208,572         |
| Foreign stock                                  | 144,730              | 454,551           |
| Beneficiary certificates                       | 84,611               | 607,766           |
| Beneficiary certificates -overseas             | -                    | 116,991           |
| Future exchanges margins                       | 194,258              | 262,722           |
| Derivatives financial instruments              | 114,428              | 343,407           |
| <b>Total</b>                                   | <b>\$ 25,722,665</b> | <b>31,758,145</b> |

- a. There is no financial asset designated on initial recognition as one to be measured at fair value through profit or loss.
- b. As of December 31, 2011 and 2010, the amounts that with regard to the repurchase agreement for financial assets held for trading shown above, were \$12,394,496 and \$2,199,665, respectively.
- c. Please refer to Note 6 for information with regard to the restricted financial assets held for trading shown above.
- d. Net realized (loss) gain on the financial assets held for trading of the Company and its subsidiaries amounted to \$(1,155,806) and \$606,781, and net unrealized loss amounted to \$289,726 and \$259,336 in 2011 and 2010, respectively.

(D) Securities purchased under resell agreements

|                                      | <b>December 31,</b> |                |
|--------------------------------------|---------------------|----------------|
|                                      | <b>2011</b>         | <b>2010</b>    |
| Central government development bonds | \$ 682,205          | 453,095        |
| Corporate bonds                      | 680,404             | -              |
| Financial bonds                      | 77,011              | -              |
| Commercial papers                    | 199,821             | -              |
| <b>Total</b>                         | <b>\$ 1,639,441</b> | <b>453,095</b> |

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The securities purchased under resell agreement shown above, after December 31, 2011 and 2010, the agreed amount of resell securities amounted to \$1,639,697 and \$453,111, respectively.

(E) Receivables-net

|  | <b>December 31,</b>  |                   |
|--|----------------------|-------------------|
|  | <b>2011</b>          | <b>2010</b>       |
| Accounts receivable for credit cards                   | \$ 1,193,532         | 1,425,323         |
| Interests receivable                                   | 497,590              | 436,673           |
| Accounts receivable                                    | 1,212,411            | 1,318,971         |
| Other receivables                                      | 99,407               | 290,935           |
| Notes receivable                                       | 884                  | 8,164             |
| Tax refund receivable                                  | 279,679              | 305,708           |
| Factoring receivables - without recourse               | 1,163,135            | 878,954           |
| Margin loans receivable                                | 11,626,287           | 19,562,237        |
| Receivable from foreign currency marketable securities | 30,570               | 187,717           |
| Receivable from government bonds held for trading      | 50,054               | 96,273            |
| Acceptances receivable                                 | 378,654              | 242,075           |
| Receivable from long term government bonds             | -                    | 200,000           |
| Receivable from pre-issuing trading bonds              | 750,000              | 200,000           |
| Refinancing guaranty deposits                          | 38,532               | 2,201             |
| Guaranteed proceeds receivable from refinancing        | 33,700               | 2,445             |
| Subtotal   | 17,354,435           | 25,157,676        |
| Less: Allowance for bad debts                          | (172,051)            | (122,786)         |
| Total  | <b>\$ 17,182,384</b> | <b>25,034,890</b> |

Receivables and its allowance for bad debts, which were subject to the impairment test under the third amendment of SFAS No. 34 “Financial Instruments: Recognition and Measurement”, were as follows:

| Items  |                                     | Receivables       | Allowance for bad debts |
|--|-------------------------------------|-------------------|-------------------------|
|  |                                     | December 31, 2011 | December 31, 2011       |
| With the objective evidence of impairment    | Individual assessment of impairment | 93,822            | 90,119                  |
|  | Collective assessment of impairment | 8,777             | 5,201                   |
| Without the objective evidence of impairment | Collective assessment of impairment | 17,251,836        | 76,731                  |
| Total  |                                     | 17,354,435        | 172,051                 |

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(F) Discounts and loans-net

|                                    | <b>December 31,</b>   |                    |
|------------------------------------|-----------------------|--------------------|
|                                    | <b>2011</b>           | <b>2010</b>        |
| Loans                              | \$ 133,464,154        | 128,187,719        |
| Export remittances                 | 21,643                | 1,689              |
| Non-accrual loans                  | 402,789               | 1,717,433          |
| Subtotal                           | 133,888,586           | 129,906,841        |
| Adjustment of discount and premium | (79,113)              | -                  |
| Less: Allowance for credit losses  | (1,338,886)           | (1,184,891)        |
| Net                                | <b>\$ 132,470,587</b> | <b>128,721,950</b> |

- a. As of December 31, 2011 and 2010, the ratio of the Company's subsidiary, Jih Sun International Commercial Bank Co., Ltd.'s capital adequacy ratios were 11.44% and 9.44%, respectively, and there were no loans written-off without prior recourse.
- b. As of December 31, 2011 and 2010, the balance of bad debt allowance on loans and advances amounted to \$1,596,061 and \$1,316,960, respectively, and the changes in allowance for credit losses were as follows:

| <b>2011</b>   | <b>Beginning</b>    |                  |                   | <b>Recovery of</b> | <b>Amount</b>      |                         | <b>Adjustment</b>  | <b>Ending</b>    |
|---|---------------------|------------------|-------------------|--------------------|--------------------|-------------------------|--------------------|------------------|
|   | <b>Balance</b>      | <b>Provision</b> | <b>Settlement</b> | <b>bad debt</b>    | <b>written off</b> | <b>Reclassification</b> | <b>rate</b>        | <b>Balance</b>   |
|   |                     |                  |                   |                    |                    |                         | <b>fluctuation</b> |                  |
| Allowance for bad debts - accounts receivable                         | \$ 112,307          | 93,530           | -                 | 15,906             | (58,058)           | -                       | 316                | 164,001          |
| Allowance for bad debts - other receivables                           | 10,479              | 1,780            | -                 | -                  | (3,723)            | (479)                   | (7)                | 8,050            |
| Allowance for credit losses - bills and discounts                     | 187                 | -                | -                 | -                  | -                  | (185)                   | (2)                | -                |
| Allowance for credit losses - short-term loans and overdrafts         | 1,949               | -                | -                 | -                  | -                  | (1,889)                 | (60)               | -                |
| Allowance for credit losses - short-term secured loans and overdrafts | 349                 | -                | -                 | -                  | -                  | (349)                   | -                  | -                |
| Allowance for credit losses - medium-term loans                       | 602                 | -                | -                 | -                  | -                  | (589)                   | (13)               | -                |
| Allowance for credit losses - medium-term secured loans               | 801                 | -                | -                 | -                  | -                  | (801)                   | -                  | -                |
| Allowance for credit losses - long-term loans                         | 671                 | -                | -                 | -                  | -                  | (671)                   | -                  | -                |
| Allowance for credit losses - long-term secured loans                 | 6,922               | -                | -                 | -                  | -                  | (6,922)                 | -                  | -                |
| Allowance for credit losses - discounts and loans                     | -                   | 553,192          | (6,881)           | 30,617             | (424,737)          | 1,186,619               | 76                 | 1,338,886        |
| Allowance for credit losses - non-accrual loans                       | 1,178,455           | -                | -                 | 1,324              | (119)              | (1,174,734)             | -                  | 4,926            |
| Allowance for guarantee reserve                                       | 4,238               | 43,925           | -                 | -                  | -                  | 32,036                  | (1)                | 80,198           |
| Total   | <b>\$ 1,316,960</b> | <b>692,427</b>   | <b>(6,881)</b>    | <b>47,847</b>      | <b>(486,637)</b>   | <b>32,036</b>           | <b>309</b>         | <b>1,596,061</b> |

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| 2010  | Beginning<br>Balance | Provision      | Settlement     | Recovery of<br>bad debt | Amount<br>written off | Reclassification | Adjustment<br>for exchange<br>rate<br>fluctuation | Ending<br>Balance |
|---|----------------------|----------------|----------------|-------------------------|-----------------------|------------------|---|-------------------|
| Allowance for bad debts - accounts receivable                         | \$ 130,663           | 97,746         | -              | 11,108                  | (122,905)             | (2,300)          | (2,005)   | 112,307           |
| Allowance for bad debts - other receivables                           | 11,035               | 4              | -              | -                       | (1,240)               | 706              | (26)  | 10,479            |
| Allowance for credit losses - bills and discounts                     | 3,089                | -              | -              | -                       | -                     | (2,900)          | (2)   | 187               |
| Allowance for credit losses - short-term loans and overdrafts         | 2,602                | 387            | (1,861)        | -                       | (387)                 | 1,300            | (92)  | 1,949             |
| Allowance for credit losses - short-term secured loans and overdrafts | 349                  | -              | -              | -                       | -                     | -                | -   | 349               |
| Allowance for credit losses - medium-term loans                       | 918                  | -              | (295)          | -                       | -                     | -                | (21)  | 602               |
| Allowance for credit losses - medium-term secured loans               | 1,301                | -              | -              | -                       | -                     | (500)            | -   | 801               |
| Allowance for credit losses - long-term loans                         | 671                  | -              | -              | -                       | -                     | -                | -   | 671               |
| Allowance for credit losses - long-term secured loans                 | 6,922                | -              | -              | -                       | -                     | -                | -   | 6,922             |
| Allowance for credit losses - non-accrual loans                       | 1,196,431            | 470,833        | (1,919)        | 21,266                  | (511,850)             | 3,694            | -   | 1,178,455         |
| Allowance for guarantee reserve                                       | 4,258                | -              | -              | -                       | -                     | -                | (20)  | 4,238             |
| Total   | <u>\$ 1,358,239</u>  | <u>568,970</u> | <u>(4,075)</u> | <u>32,374</u>           | <u>(636,382)</u>      | <u>-</u>         | <u>(2,166)</u>                                    | <u>1,316,960</u>  |

- c. The Company's subsidiary, Jih Sun International Commercial Bank Co., Ltd. had recognized the non-accrual loans as the other loans and credit extensions which had been classified into non-accrual loans account. Loans which are overdue within six months from the due date should be classified into non-accrual loans account. The accrual of interest thereon is discontinued for internal purposes, whereas continues for external purposes. In addition, the interest accrual should be noted in each sub-account or through a memo entry. The accrued interest on overdue loans prior to reclassification into the "non-accrual loan" account should be combined with the principal and transferred into the "non-accrual loan" account. As of December 31, 2011 and 2010, the Company's subsidiary, Jih Sun International Commercial Bank Co., Ltd.'s loans and advances without accruing interest amounted to \$402,285 and \$1,695,966, respectively.
- d. For the years ended December 31, 2011 and 2010, the Company's subsidiary, Jih Sun International Commercial Bank Co., Ltd.'s overdue interest and principal without accruing interest for loans and advances amounted to \$27,052, and \$41,331, respectively.
- e. Loans and its allowance for credit losses, which were subject to the impairment test under the third amendment of SFAS No. 34 "Financial Instruments: Recognition and Measurement", were as follows:

| Items   |  | Loans             | Allowance for<br>credit losses |
|---|--|-------------------|--------------------------------|
|   |  | December 31, 2011 | December 31, 2011              |
| With the objective<br>evidence of<br>impairment       | Individual assessment<br>of impairment | 2,986,954         | 201,894                        |
|   | Collective assessment<br>of impairment | 110,717           | 46,424                         |
| Without the<br>objective<br>evidence of<br>impairment | Collective assessment<br>of impairment | 130,790,915       | 1,090,568                      |
| Total   |  | 133,888,586       | 1,338,886                      |

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(G) Available-for-sale financial assets-net

|                              | December 31,         |                  |
|------------------------------|----------------------|------------------|
|                              | 2011                 | 2010             |
| Government bonds             | \$ 10,101,756        | 1,394,695        |
| Corporate bonds              | 4,701,555            | 745,744          |
| Listed and O.T.C. securities | 162,959              | 208,964          |
| Total                        | <b>\$ 14,966,270</b> | <b>2,349,403</b> |

(H) Held-to-maturity financial assets-net

|                                      | December 31,      |                |
|--------------------------------------|-------------------|----------------|
|                                      | 2011              | 2010           |
| Private placement of corporate bonds | <b>\$ 300,000</b> | <b>300,000</b> |

(I) Equity investments under equity method-net

| <u>Name of investee company</u>                  | December 31,                  |                   |                               |                |
|--|-------------------------------|-------------------|-------------------------------|----------------|
|  | 2011                          |                   | 2010                          |                |
|  | Percentage<br>of<br>Ownership | Book<br>value     | Percentage<br>of<br>Ownership | Book<br>value  |
| Jih Sun Securities Investment Trust<br>Co., Ltd. | 20.00                         | <b>\$ 234,901</b> | 20.00                         | <b>240,883</b> |

Investment income recognized under the equity method for the years ended December 31, 2011 and 2010 were as follows:

|   | 2011             | 2010          |
|---|------------------|---------------|
| Jih Sun Securities Investment Trust Co., Ltd. | <b>\$ 19,992</b> | <b>28,821</b> |

The above profit of equity investment and the other related investment which are calculated under equity method, all of them had been audited by the Accountants.



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(J) Other financial assets-net

|   | <b>December 31,</b>  |                   |
|---|----------------------|-------------------|
|   | <b>2011</b>          | <b>2010</b>       |
| Customer margin deposit   | \$ 7,358,578         | 5,232,853         |
| Short-term advances   | 418,293              | 499,011           |
| Financial assets carried at cost                                    | 1,724,638            | 1,986,829         |
| Overdue receivable  | 4,926                | 5,045             |
| Allowance for bad debts- Overdue receivable                         | (4,926)              | (5,045)           |
| Operating guaranteed deposits                                       | 805,000              | 790,000           |
| Clearing and settlement fund  | 513,760              | 523,155           |
| Cash and cash equivalents- collections for warrant exercise         | 7                    | 8                 |
| Cash and cash equivalents- collections for underwriting stock value | 7                    | 8                 |
| Refundable deposits   | 246,733              | 244,186           |
| Restricted assets   | 577,735              | 593,757           |
| Guaranteed price deposits for security borrowing                    | 233,600              | 43,846            |
| Security borrowing deposits   | 207,851              | 38,404            |
| Other financial assets- other                                       | 788,015              | 700,257           |
| <b>Total</b>  | <b>\$ 12,874,217</b> | <b>10,652,314</b> |

- a. Please refer to Note 6 for information with regard to pledged other financial assets.
- b. Financial assets carried at cost include stock and equity investments of the Company and its subsidiaries with no quoted market price and whose fair value cannot be reliably measured; such financial assets are carried at cost.
- c. In April, 2008, the financial assets carried at cost, which the Company's subsidiary, Jih Sun Securities Co., Ltd. invested in Taiwan Futures Exchange Co., Ltd., were sold to the Company's subsidiary Jih Sun Securities Co., Ltd. at the price of \$178,550. Thus, the related unrealized gains of \$140,633 had been eliminated.
- d. Among the above financial assets valued at cost method, there are evidence of impairment of the financial assets, including Cotillion III Venture Capital Corp., Taiwan Integrated Shareholder Service Company and Parawin Venture Capital Corp., that are held by the Company's subsidiary, Jih Sun Securities Co., Ltd. Therefore, Jih Sun Securities Co., Ltd. had recognized impairment losses of \$3,526, \$114 and \$1,427, respectively, in 2011.

In 2010, the Company's subsidiary, Jih Sun Securities Co., Ltd. held the financial assets of Cotillion III Venture Capital Corp. and Taiwan Integrated Shareholder Service Company and had recognized impairment losses of \$3,135. Jih Sun Financial Services (Cayman) Ltd., an investee company of Jih Sun Securities Co., Ltd. held the financial assets of CAPRION CORP. and had recognized impairment losses of \$271.

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- e. For the financial assets adopted cost method above, Fubon Securities Finance Co., Ltd., of which the financial assets held by the Company's subsidiaries, Jih Sun Securities Co., Ltd. and Jih Sun International Commercial Bank Co., Ltd., decided to decrease its capital and refund the capital stock to its stock holders on October 28, 2010. The percentage of capital decrease was 99.75% and the stocks had been refunded to the shareholders after the completion of legal procedures. Furthermore, Fubon Securities Finance Co., Ltd. was renamed to FuJi Management Consultant Co., Ltd. on January 11, 2011.
- f. For the financial assets adopted cost method above, the Company's subsidiary, Jih Sun International Commercial Bank Co., Ltd. recognized impairment losses amounted to \$3,264 and \$364 in 2011 and 2010, respectively. Due to Concord IV Venture Capital Co., Ltd. decreased its capital and returned cash to Jih Sun International Commercial Bank Co., Ltd. in July, 2011, Jih Sun International Commercial Bank Co., Ltd. had recognized reversal of impairment of \$13,334 in 2011.

(K) Fixed assets-net

| <b>December 31, 2011</b>  | <b>Cost</b>         | <b>Accumulated<br/>Depreciation</b> | <b>Net</b>       |
|---------------------------|---------------------|-------------------------------------|------------------|
| Land                      | \$ 3,564,436        | -                                   | 3,564,436        |
| Buildings                 | 2,858,000           | 1,032,761                           | 1,825,239        |
| Miscellaneous equipments  | 1,790,719           | 1,584,776                           | 205,943          |
| Construction in progress  | 3,960               | -                                   | 3,960            |
| Prepayment for equipments | 30,635              | -                                   | 30,635           |
| Leasehold improvements    | 648,577             | 510,028                             | 138,549          |
| <b>Total</b>              | <b>\$ 8,896,327</b> | <b>3,127,565</b>                    | <b>5,768,762</b> |

| <b>December 31, 2010</b>  | <b>Cost</b>         | <b>Accumulated<br/>Depreciation</b> | <b>Net</b>       |
|---------------------------|---------------------|-------------------------------------|------------------|
| Land                      | \$ 3,670,248        | -                                   | 3,670,248        |
| Buildings                 | 2,894,435           | 979,063                             | 1,915,372        |
| Miscellaneous equipments  | 2,006,360           | 1,787,190                           | 219,170          |
| Construction in progress  | 9,102               | -                                   | 9,102            |
| Prepayment for equipments | 45,987              | -                                   | 45,987           |
| Leasehold improvements    | 664,603             | 537,036                             | 127,567          |
| <b>Total</b>              | <b>\$ 9,290,735</b> | <b>3,303,289</b>                    | <b>5,987,446</b> |

Please refer to Note 6 for the details of pledged fixed assets.

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(L) Intangible assets-net

For the years ended December 31, 2011 and 2010, the details of the Company and its subsidiaries' intangible assets of original cost, incremental value from revaluation, and accumulated amortization amounts were as follows:

| <b>Original cost and revalued appreciation</b> | <b>Goodwill</b>    | <b>Operation right</b> | <b>Computer software</b> | <b>Total</b>       |
|--|--------------------|------------------------|--------------------------|--------------------|
| Beginning balance- 2011/1/1                    | \$ 56,423          | 1,752,778              | 865,573                  | 2,674,774          |
| Purchase                                       | -                  | -                      | 22,075                   | 22,075             |
| Retirement                                     | -                  | -                      | (27,723)                 | (27,723)           |
| Ending balance- 2011/12/31                     | <b>\$ 56,423</b>   | <b>1,752,778</b>       | <b>859,925</b>           | <b>2,669,126</b>   |
| Beginning balance- 2010/1/1                    | \$ 56,423          | 1,752,778              | 895,808                  | 2,705,009          |
| Purchase                                       | -                  | -                      | 17,744                   | 17,744             |
| Retirement                                     | -                  | -                      | (47,979)                 | (47,979)           |
| Ending balance- 2010/12/31                     | <b>\$ 56,423</b>   | <b>1,752,778</b>       | <b>865,573</b>           | <b>2,674,774</b>   |
|  |                    |                        |                          |                    |
| <b>Amortization and Retirement loss</b>        | <b>Goodwill</b>    | <b>Operation right</b> | <b>Computer software</b> | <b>Total</b>       |
| Beginning balance- 2011/1/1                    | \$ (23,509)        | (1,746,359)            | (585,833)                | (2,355,701)        |
| Amortization                                   | -                  | (6,419)                | (118,816)                | (125,235)          |
| Retirement loss                                | -                  | -                      | 27,723                   | 27,723             |
| Ending balance- 2011/12/31                     | <b>\$ (23,509)</b> | <b>(1,752,778)</b>     | <b>(676,926)</b>         | <b>(2,453,213)</b> |
| Beginning balance- 2010/1/1                    | \$ (23,509)        | (1,542,547)            | (493,043)                | (2,059,099)        |
| Amortization                                   | -                  | (203,812)              | (140,769)                | (344,581)          |
| Retirement loss                                | -                  | -                      | 47,979                   | 47,979             |
| Ending balance- 2010/12/31                     | <b>\$ (23,509)</b> | <b>(1,746,359)</b>     | <b>(585,833)</b>         | <b>(2,355,701)</b> |
|  |                    |                        |                          |                    |
| <b>Book Value</b>                              | <b>Goodwill</b>    | <b>Operation Right</b> | <b>Computer software</b> | <b>Total</b>       |
| Beginning balance- 2011/1/1                    | <b>\$ 32,914</b>   | <b>6,419</b>           | <b>279,740</b>           | <b>319,073</b>     |
| Ending balance- 2011/12/31                     | <b>\$ 32,914</b>   | <b>-</b>               | <b>182,999</b>           | <b>215,913</b>     |
| Beginning balance- 2010/1/1                    | <b>\$ 32,914</b>   | <b>210,231</b>         | <b>402,765</b>           | <b>645,910</b>     |
| Ending balance- 2010/12/31                     | <b>\$ 32,914</b>   | <b>6,419</b>           | <b>279,740</b>           | <b>319,073</b>     |

For the years ended December 31, 2011 and 2010, the amortization expenses for intangible assets of the Company and its subsidiaries were amounted to \$125,235 and \$344,581, respectively, and these expenses are recorded under operating expenses.

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In the year 2002 the Company's subsidiary, Jih Sun International Commercial Bank Co., Ltd. merged with XinYing credit co-operative in Tainan County for the purchase price over the fair value of its identifiable net asset amounted to \$94,039. The goodwill was originally amortized over 60 months; however, after the 39<sup>th</sup> month of amortization, the goodwill is no longer amortized in accordance with Statement of Financial Accounting Standards (SFAS) No. 37, Section 92. The Bank implements goodwill impairment test annually.

(M) Other assets-net

|  | <b>December 31,</b> |                  |
|--|---------------------|------------------|
|  | <b>2011</b>         | <b>2010</b>      |
| Foreclosed collaterals                           | \$ 1,091,015        | 1,268,464        |
| Accumulated impairment - foreclosed collaterals  | (206,388)           | (153,235)        |
| Securities brokerage debit (credit) accounts-net | 306,562             | 218,923          |
| Prepayments                                      | 398,449             | 311,934          |
| Deferred income tax assets - net                 | 14,507              | 50,444           |
| Deferred debits                                  | 64                  | 488              |
| Other assets - other                             | 10,435              | 10,435           |
| <b>Total</b>                                     | <b>\$ 1,614,644</b> | <b>1,707,453</b> |

(N) Deposits from the Central Bank and other banks

|                                 | <b>December 31,</b>  |                  |
|---------------------------------|----------------------|------------------|
|                                 | <b>2011</b>          | <b>2010</b>      |
| Deposits from other banks       | \$ 3,163,466         | 2,927,473        |
| Loan financing from other banks | 3,699                | -                |
| Call loans from other banks     | 3,783,810            | 525,000          |
| Post Office transfer deposits   | 3,512,027            | 3,515,379        |
| <b>Total</b>                    | <b>\$ 10,463,002</b> | <b>6,967,852</b> |

(O) Commercial papers issued-net

|                            | <b>December 31,</b> |                  |
|----------------------------|---------------------|------------------|
|                            | <b>2011</b>         | <b>2010</b>      |
| Commercial papers issued   | \$ 3,820,000        | 6,210,000        |
| Less: Unamortized discount | (4,515)             | (4,971)          |
| <b>Net</b>                 | <b>\$ 3,815,485</b> | <b>6,205,029</b> |

The annual interest rates ranged from 0.800% to 1.706% and 0.310% to 0.800% as of December 31, 2011 and 2010, respectively.

For the preceding commercial papers, securities and time deposits were pledged as collaterals amounting to \$942,151 and \$2,264,250 as of December 31, 2011 and 2010, respectively.

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(P) Financial liabilities measured at fair value through profit or loss

|   | <b>December 31,</b> |                  |
|---|---------------------|------------------|
|   | <b>2011</b>         | <b>2010</b>      |
| Liabilities on sale of borrowed securities                            | \$ 239,555          | 44,613           |
| Financial derivative instruments liabilities                          | 273,964             | 865,834          |
| Financial liabilities designated at fair value through profit or loss | 35,329              | 229,319          |
| <b>Total</b>  | <b>\$ 548,848</b>   | <b>1,139,766</b> |

For the years ended December 31, 2011 and 2010, the net realized gains on the financial liabilities held for trading of the Company and its subsidiaries amounted to \$37,941 and \$47,461, respectively, and the unrealized gain amounted to \$150,363 and \$53,747, respectively.

(Q) Securities sold under repurchase agreements

|                                       | <b>December 31,</b>  |                  |
|---------------------------------------|----------------------|------------------|
|                                       | <b>2011</b>          | <b>2010</b>      |
| Central government construction bonds | \$ 10,494,729        | 698,058          |
| Corporate bonds                       | 2,434,938            | 1,302,479        |
| Overseas bonds                        | 147,799              | -                |
| Financial bonds                       | 103,237              | 303,610          |
| MBS                                   | -                    | 384,973          |
| <b>Total</b>                          | <b>\$ 13,180,703</b> | <b>2,689,120</b> |

Based on the repurchase agreements, after December 31, 2011 and 2010, the Company and its subsidiaries obligated to repurchase the above bonds at the sales price plus a mark-up which amounted to \$13,187,073 and \$2,690,184, respectively.

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(R) Payables

|   | <b>December 31,</b>  |                   |
|---|----------------------|-------------------|
|   | <b>2011</b>          | <b>2010</b>       |
| Accounts payable  | \$ 816,780           | 1,451,912         |
| Accrued interests   | 330,942              | 278,386           |
| Deposits received from securities borrowers                     | 1,827,240            | 1,667,800         |
| Futures dealer equity   | 7,358,578            | 5,232,853         |
| Guaranteed price deposits received from securities borrowers    | 2,097,644            | 1,921,893         |
| Accounts payable factoring                                      | 33,124               | 10,796            |
| Collection payable  | 61,813               | 33,246            |
| Accrued expenses and Other payables                             | 1,329,683            | 1,398,257         |
| Spot exchange payable-foreign currencies                        | 5,200                | 5,213             |
| Income tax payable  | 550,623              | 553,061           |
| Acceptances   | 378,654              | 242,075           |
| Notes payable for clearing payable                              | 430,499              | 296,771           |
| Purchase of long term government bonds payables                 | 750,000              | 200,000           |
| Trading bonds payable - before issuance                         | -                    | 200,000           |
| Purchase trade government bond payable                          | 249,875              | 48,122            |
| Payable from purchase of foreign currency marketable securities | 272,432              | 37,589            |
| Deposits from securities borrowing                              | 553,040              | 77,413            |
| Provision of structured notes compensation                      | 69,668               | 81,376            |
| <b>Total</b>  | <b>\$ 17,115,795</b> | <b>13,736,763</b> |

Pursuant to the Banking Union's result of appraisal of the controversies and the situation of individual case for the structured notes, the Company's subsidiary, Jih Sun International Commercial Bank Co., Ltd. estimated the provision of structured notes compensation was caused from agency for structured notes which issued by international corporations and had controversies. As of December 31, 2011 and 2010, Jih Sun International commercial Bank Co., Ltd. accrued the provision of \$69,668 and \$81,376, respectively, under the structured notes compensation.

(S) Deposits and exchange

|                   | <b>December 31,</b>   |                    |
|-------------------|-----------------------|--------------------|
|                   | <b>2011</b>           | <b>2010</b>        |
| Checking deposits | \$ 768,963            | 667,825            |
| Bank checks       | 75,633                | 49,244             |
| Demand deposits   | 20,343,744            | 19,342,973         |
| Time deposits     | 45,622,441            | 54,173,312         |
| Savings deposits  | 100,019,272           | 104,480,399        |
| <b>Total</b>      | <b>\$ 166,830,053</b> | <b>178,713,753</b> |

As of December 31, 2011 and 2010, negotiable certificates of time deposits amounted to \$1,777,000 and \$4,373,600, respectively.

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(T) Bonds payable

|                         | <b>December 31,</b> |                  |
|-------------------------|---------------------|------------------|
|                         | <b>2011</b>         | <b>2010</b>      |
| Financial bonds payable | \$ 2,500,000        | 2,500,000        |
| Corporate bonds payable | 2,000,000           | 2,000,000        |
| Total                   | <b>\$ 4,500,000</b> | <b>4,500,000</b> |

a. Financial bonds payable

(1) On July 5, 2005, according to FSC, the Company's subsidiary, Jih Sun International Commercial Bank Co., Ltd. was allowed to issue unsecured subordinated financial debentures for the first period of 2005 which amounted to \$2,000,000. Terms and conditions of the issuance were as follows:

- A. Issue price: At face value.
- B. Issue period: From July 5, 2005 to July 5, 2012.
- C. Interest rate: Fixed rate of 2.93%.
- D. Interest accrual: Annual interest accrual and payments since the issued date.
- E. Repayment of principal: Full repayment of principal at maturity.

(2) On April 3, 2007, according to FSC, the Company's subsidiary, Jih Sun International Commercial Bank Co., Ltd. was allowed to issue senior financial debentures for the first period of 2007 which amounted to \$1,000,000. Terms and conditions of the issuance were as follows:

- A. Issue price: At face value.
- B. Issue period: From April 3, 2007 to April 3, 2014.
- C. Interest rate: Fixed rate of 3.00%.
- D. Interest accrual: Annual interest accrual and payments since the issued date.
- E. Repayment of principal: Full repayment of principal at maturity.
- F. During the third quarter of 2009, the amount of redemption in advance was \$ 500,000.

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b. Corporate bonds payable

| <b>Trustee and<br/>Certification<br/>Institution</b> | <b>Period</b>         | <b>December 31,</b> |                  | <b>Pledged Assets</b> |
|--|-----------------------|---------------------|------------------|-----------------------|
|  |                       | <b>2011</b>         | <b>2010</b>      |                       |
| Unsecured Subordinated<br>Bonds                      | 2005.12.14~2012.12.14 | <b>\$ 2,000,000</b> | <b>2,000,000</b> | None                  |

On December 14, 2005, the Company issued the first domestic unsecured subordinated bond at par value amounting to \$2,000,000. Terms and conditions of the issuance were as follows:

- A. Issue period: Commencing from December 14, 2005 and ending on December 14, 2012. The issue period was seven years.
- B. Issue price: At par value.
- C. Interest rate: 3.30% at par value.
- D. Repayment of principal: Full repayment of principal, which were issued by the Company, was completed at the expiration of seven years. If the consolidated capital adequacy ratio is lower than the minimum required capital adequacy due to the interest payment or the bonds repayment, the Company will not pay interest and repay the principal until the consolidated capital adequacy is over the minimum required capital adequacy. The suspended-paid interest will not be calculated as the deferred interest and the interest of rescheduling principal is calculated by the coupon rate.

(U) Other borrowings

| <b>Nature of the loan</b> | <b>Amount</b>       | <b>Interest rate</b> | <b>Credit line</b> | <b>Pledged assets</b>   |
|---------------------------|---------------------|----------------------|--------------------|---|
| <b>December 31, 2011</b>  |                     |                      |                    |   |
| Credit loans              | \$ 263,654          | 1.03%~2.18%          | 351,556            | -   |
| Secured loans             | 200,000             | 1.07%                | 200,000            | Marketable securities   |
| Total                     | <b>\$ 463,654</b>   |                      |                    |   |
| <b>December 31, 2010</b>  |                     |                      |                    |   |
| Credit loans              | \$ 3,100,000        | 0.70%~0.97%          | 3,500,000          | -   |
| Secured loans             | 1,960,000           | 0.70%~1.04%          | 4,760,000          | Marketable securities,<br>time deposits and<br>reserve savings accounts |
| Total                     | <b>\$ 5,060,000</b> |                      |                    |   |

For the years ended December 31, 2011 and 2010, the marketable securities, time deposits and reserve savings accounts for secured loans amounted to \$575,759 and 1,755,259, respectively.



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(V) Pension plan

a. Consolidated company's net pension costs were as follows:

|                                       | <u>2011</u>      | <u>2010</u>   |
|---------------------------------------|------------------|---------------|
| Service cost                          | \$ 17,487        | 17,472        |
| Interest cost                         | 16,058           | 13,973        |
| Expected return on plan assets        | (11,546)         | (10,856)      |
| Amortization of net transition loss   | (1,160)          | (1,160)       |
| Amortization of pension gain and loss | 5,881            | 4,395         |
| Net pension cost                      | <u>\$ 26,720</u> | <u>23,824</u> |

b. Actuarial assumptions used to compute the net pension cost and the reconciliation between year-end pension funding status and accrued pension liabilities per books were as follows:

|   | <u>2011</u> | <u>2010</u> |
|---|-------------|-------------|
| Discount rate                                   | 2.00%       | 2.25%       |
| Future salary increase rate                     | 2.00%       | 2.00%       |
| Projected rate of return on pension plan assets | 2.00%       | 2.00%       |

|   | <u>December 31,</u> |                 |
|---|---------------------|-----------------|
|   | <u>2011</u>         | <u>2010</u>     |
| Benefit obligation  |                     |                 |
| Vested benefit obligation                                 | \$ 58,477           | 44,694          |
| Non-vested benefit obligation                             | 562,143             | 484,855         |
| Accumulated benefit obligation                            | 620,620             | 529,549         |
| Effect of future salary increase                          | 210,112             | 186,277         |
| Projected benefit obligation                              | 830,732             | 715,826         |
| Fair value of pension assets                              | (647,208)           | (566,607)       |
| Funded status   | 183,524             | 149,219         |
| Unamortized balance of unrecognized net transition assets | 214                 | 1,374           |
| Unrecognized losses on pension fund                       | (287,916)           | (192,736)       |
| Supplementary accrued pension cost                        | 85,069              | 43,238          |
| (Prepaid pension) Accrued pension cost                    | <u>\$ (19,109)</u>  | <u>1,095</u>    |
| Net losses not recognized as pension cost                 | <u>\$ (85,069)</u>  | <u>(43,238)</u> |

As of December 31, 2011 and 2010, the vested benefit obligation for the Company and its subsidiaries' retirement plan amounted to \$66,703 and \$52,268, respectively. Furthermore, according to the new Labor Pension Act of R.O.C and local ruling, the deposits of labor pension expense for the Company and its subsidiaries amounted to \$122,164 and \$118,595, respectively.

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(W) Stockholders' equity

Capital stock

In order to strengthen financial structure, reinvest the banking subsidiaries and expand Groups' oncoming operation, the Boards meetings on April 28, 2006, May 10, 2006 and the shareholders' meeting on June 9, 2006 had approved to issue common stock 1,142,857,142 shares at value of \$7 and series A preferred stock 666,666,668 shares at value of \$6 through a private offering. Total amounts were 12 billion dollars. The base date for offering was at July 21, 2006, and the Company's registration had been completed on September 26, 2006.

The important terms of issuing Class A preferred stock were listed as follows:

- a. If the Company has the current year's earnings, the current year's earnings shall be allocated in the following order:
  - (1) Payment of all taxes and making certain adjustments in accordance with SFAS.
  - (2) Offset prior years' cumulative losses, if any.
  - (3) After deducting (1) and (2), legal reserve and special reserve shall be set aside with the Act and the Company's rules.
  - (4) After deducting (1), (2), and (3), the Company should distribute series A preferred stock dividends first.
- b. The series A preferred stock dividend will be calculated at annual rate of 5.5% base on the issued price, and will be distributed in cash annually. The issued date was defined as base date for offering. (July 21, 2006)
- c. If the Company has no earnings or not enough to distribute dividend of series A preferred stock, the undistributed or distributed insufficient part will not accumulate to the next year.
- d. Except for the dividends described in b, the series A preferred stock cannot join the assignment of remaining earnings to common stock and stock dividends from capital surplus.
- e. The stockholders of series A preferred stock have no right to vote at stockholder meeting, they cannot vote for directors and supervisors; whereas, they can be elected as directors and supervisors.
- f. The offering was closed on July 21, 2006 and presented to Financial Supervisory Commission, Executive Yuan on the same day.

The board of directors' meeting on February 26, 2007 and shareholders' meeting on April 10, 2007 had approved to reduce capital \$13,711,490 (common shares were reduced 1,146,156,342 shares and preferred shares were reduced 224,992,611 shares) to offset

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accumulated losses. The Company had obtained the approval letter from Financial Supervisory Commission, Executive Yuan at June 14, 2007, with the issuing number of FSC Jin-Guan-Jheng- Zi (1) 0960024642. The base date for capital reduction was on June 26, 2007 and the Company's registration had completed at July 4, 2007.

On February 3, 2009, the Company's board of directors had resolved to implement a capital increase through public placement at NT \$4 dollars per share by issuing 2,350,374,000 new common shares which amounted to \$9,401,496. The Company had obtained the approval letter from Financial Supervisory Commission, Executive Yuan, with the issuing number of FSC Jin-Guan-Jheng-Zi (1) 0980005396. The base date for capital increase was on April 15, 2009 and the Company's registration had completed on May 21, 2009.

Pursuant to the resolution approved by the shareholders' meeting on May 6, 2010 and the board of directors' meeting on March 19, 2010, the Company adopted capital reduction amounted to \$23,812,134 (common shares were reduced 2,169,293,665 shares and preferred shares were reduced 211,919,723 shares) to offset accumulated losses. The capital reduction was already approved by FSC Jin-Guan-Jheng-Zi (1) No. 0990025442, dated May 26, 2010. The base date for capital reduction was on June 8, 2010 and the Company's registration had been completed on June 14, 2010.

Pursuant to the resolution approved by the shareholders' meeting on June 24, 2011, the Company resolved to implement capital increase by capitalization of retained earnings amounted to \$1,932,524 with 193,252 thousands new shares. The capital increase from retained earnings was approved by FSC. The board of directors' meeting held on July 29 and August 26, 2011, had decided the allotment date of stocks to be on September 3, 2011. The board of directors' meeting held on August 26, 2011 also approved on 7,907,379 shares of Class A preferred shares to be converted to common shares, the Company had completed relevant registration process on October 17, 2011.

The authorized capital is \$80,000,000, including 8,000,000,000 shares at NT\$10 per share and is issued separately by authorized board of directors. The Company retained 100,000,000 shares for the warrant shares of issuing stock warrant, preferred shares with warrants and corporate bonds with warrants. As of December 31, 2011, the Company's total paid-in capital was \$27,748,624. Total outstanding common shares were 2,553,015,459 shares and preferred shares were 221,846,955 shares.

(X) Earnings distribution

After-tax earnings, if any, shall pay for taxes and offset cumulative losses, and the remainder will be set aside as legal reserve and special reserve as required by relevant regulations. Any remaining balance will be distributed as employee bonus which cannot be less than 0.01%. The very remaining balance and accumulated unappropriated retained earnings from prior years should be formulated by the Broad of Directors and distributed in accordance with the resolution of the shareholders' meeting. In compliance with the law, the Company set aside special reserve from the earnings of the year. However, if the law has been amended or reasons for setting special reserve are eliminated, special reserve can be reversed as unappropriated earnings.

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In compliance with the amended Company Act in January, 2012, 10% of the annual net income (less any accumulated deficit) is appropriated as legal reserve. The aforementioned appropriation for legal reserve is made until the reserve equals the Company's capital. When there is no deficit, the legal reserve could be transferred, after the resolution of shareholders' meeting, to capital or distributed as cash dividends. Only the amount of the legal reserves exceed over 25% of paid-in capital could be transferred or distributed.

According to SFC Tai-Cai- Zheng- Zi(1) No. 100116 dated January 3, 2000, and other related regulations, prior to any distribution of earnings, if there are any deductions made to stockholders' equity, then an equal amount of special reserve must be provided based on net income of the current period and unappropriated earnings from the prior period. If there are any subsequent reversals to the deduction from stockholders' equity, then the reversed portion may be distributed.

The Company adopted the residual dividend policy. In consideration of the Company's capital budget, essential funds needed for operations and investing are retained, and the remainder is distributed as stock or cash dividends. The cash dividends shall not be less than 10% of total dividends. When the employee bonuses are issued by stock dividends, the allocated subjects could include the employees of the Company's subsidiaries.

A resolution on the Company's 2010 earnings distribution of the Company was approved by the board of directors' meeting on March 30, 2011 and by the shareholders' meeting on June 24, 2011, and the distribution of directors' and supervisors' remuneration and the employees' bonuses amounted to \$5,500 and \$228, respectively. There was no difference between the aforementioned amount and the estimated amount. For the year 2011, directors' and supervisors' remuneration and the employees' bonuses are estimated to be \$5,500 and \$189, respectively. However, if later the actual allocation amount pursuant to a resolution of shareholders' meeting is different from the estimated amount, the difference will be recognized in the profit or loss of the next year as change of accounting estimation. The relevant information on earnings distribution resolved by the board of directors and approved by the shareholders' meeting can be accessed through the Market Observation Post System and other sites.

(Y) Income tax

Pursuant to regulations stipulated by Tai-Cai-Shui No. 910458039 dated February 12, 2003, "Principles and regulations of profit-seeking businesses filing joint tax returns in accordance with Article 49 of the Financial Holding Company Law and Article 40 of Enterprise Merger Law", while a financial holding company holds more than 90% of issued shares of a domestic subsidiary and holds for 12 months during a tax year. The company has to behalf of financial holding company as the obligatory tax payer and jointly filed income tax returns.

By adopting the principal of amortization of consolidated income tax, the joint filing of the tax returns of the Company and its subsidiaries Jih Sun Securities Co., Ltd, Jih Sun International Commercial Bank Co., Ltd. and Jih Sun International Property Insurance Agency Co., Ltd. resulted in a lowered tax burden and brought tax saving efficiency. Moreover, the management efficiency was enhanced because of the individual company's tax burden was fairly distributed.

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The statutory income tax rate for 2011 and 2010 were both 17%, and the Company calculated the basic tax amount in accordance with the Income Basic Tax Act.

- a. The components of income tax expense for the Company and its subsidiaries were as follows:

|   | <u>2011</u>      | <u>2010</u>   |
|---|------------------|---------------|
| Current income tax expense  | \$ 37,071        | 32,922        |
| Deferred income tax expense   | 8,961            | 6,646         |
| Difference of prior year's taxable income assessed by tax authority | 1,459            | 9,554         |
| Income tax expense  | <u>\$ 47,491</u> | <u>49,122</u> |

The components of deferred income tax expense for the Company and its subsidiaries were as follows:

|   | <u>2011</u>     | <u>2010</u>  |
|---|-----------------|--------------|
| Reserve for default losses and trading losses | \$ -            | (1,986)      |
| Pension expenses                              | 10,601          | 1,819        |
| Effects of change in income tax rate          | -               | 8,563        |
| Effects of allowance valuation                | (1,640)         | (1,750)      |
| Total   | <u>\$ 8,961</u> | <u>6,646</u> |

- b. For the years ended December 31, 2011 and 2010, the net income before tax in the Company and its subsidiaries' statements of income, in accordance with the rule of tax rate calculation and the difference of calculation income tax and income tax expense were as follows:

|   | <u>2011</u> | <u>2010</u> |
|---|-------------|-------------|
| Income tax calculated on net income before tax                      | \$ 786,700  | 1,030,141   |
| Effect on income tax of adjusting items:                            |             |             |
| Suspend to impose capital gains tax                                 | 181,334     | (53,795)    |
| Long-term investment gains - equity method                          | (403,948)   | (561,628)   |
| Gain on domestic investment-net                                     | (7,269)     | (8,053)     |
| Valuation losses on operating securities and short-term investments | 33,088      | 6,971       |
| Difference between financial and tax treatment of stock warrants    | (49,591)    | 11,287      |
| Reversal for trading losses reserve                                 | -           | (1,419)     |
| Loss from government and corporate bond transactions                | 40,909      | 10,097      |
| (Gain) loss on land transactions                                    | (19,058)    | 12,051      |
| Tax exempt OBU income   | (35,890)    | (42,677)    |
| Impairment loss (reversal of impairment) on foreclosed collaterals  | 9,036       | (27,123)    |

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|  | <u>2011</u>      | <u>2010</u>   |
|--|------------------|---------------|
| Difference in allowance for credit loss exceeding the ultra limit (prescribed limit)                             | \$ 46,094        | (8,989)       |
| Unrealized exchange losses - net   | 126              | 2,825         |
| Unrealized derivative instruments (gains) losses - net   | (10,912)         | 39,437        |
| Deferred income tax assets adjustment  | (485,540)        | (359,219)     |
| Effects of change in income tax rate   | -                | 8,563         |
| Difference of prior year's taxable income assessed by tax authority and under-estimation of prior years' expense | 1,459            | 9,554         |
| Other unrealized losses  | 425              | -             |
| (Reversal of) impairment loss on other financial assets  | (1,712)          | 533           |
| Others   | (37,760)         | (19,434)      |
| <b>Income tax expense</b>  | <b>\$ 47,491</b> | <b>49,122</b> |

- c. As of December 31, 2011 and 2010, the Company and its subsidiaries' details of temporary differences between financial and tax reporting purposes which resulted in deferred income tax assets, operating loss carry forwards, and income tax deductions were as follows:

|  | <b>December 31,</b> |                   |                |                   |
|--|---------------------|-------------------|----------------|-------------------|
|  | <u>2011</u>         |                   | <u>2010</u>    |                   |
| <b>Deferred tax assets - non-current</b> | <b>Amount</b>       | <b>Tax effect</b> | <b>Amount</b>  | <b>Tax effect</b> |
| Bad-debts losses                         | \$ 9,522            | 1,618             | 9,522          | 1,618             |
| Default losses                           | -                   | -                 | 158,680        | 26,976            |
| Effects of loss carried forward          | 22,343,502          | 3,798,395         | 26,372,731     | 4,483,364         |
| Pension cost                             | (97,693)            | (16,607)          | (35,333)       | (6,006)           |
| Allowance valuation                      | (22,169,994)        | (3,768,899)       | (26,208,871)   | (4,455,508)       |
| <b>Net</b>                               | <b>\$ 85,337</b>    | <b>14,507</b>     | <b>296,729</b> | <b>50,444</b>     |

- d. The Company jointly filed income tax returns for 2011 and 2010 for the Company, Jih Sun Securities Co., Ltd., Jih Sun International Property Insurance Agency Co., Ltd. and Jih Sun International Commercial Bank Co., Ltd. There's no expected income tax payable for the 2011 and 2010 tax returns.
- e. The Company's income tax returns had been assessed for the years up to 2006, for the years ended December 31, 2003 to 2006, the National Tax Administration had decided that the Company had to pay tax shortages of \$11,395, \$28,352, \$63,705 and \$68,507, respectively. The Company had accrued these tax shortages. However, the Company was not satisfied with the judgment of 2003, and had appealed against the judgment. The Company was not satisfied with the judgment of 2004 and had filed an administrative litigation. The Company was not satisfied with the judgment of 2005, and had appealed against the judgment. The Company was not satisfied with the 2006 tax assessment, and had applied for re-examination.

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- f. For the year ended December 31, 2003, the National Tax Administration had decided that the Company's subsidiary, Jih Sun International Commercial Bank Co., Ltd. needed to pay a tax shortage of \$36,627. Jih Sun International Commercial Bank Co., Ltd. had accrued this tax shortage. However, Jih Sun International Commercial Bank Co., Ltd. was unsatisfied with some items of the decision by the National Tax Administration, like goodwill resulted from mergence with Xinying Credit Co-operative Co. and amortization of premium on long-term bonds, so Jih Sun International Commercial Bank Co., Ltd. filed an administrative litigation for different amount of income tax resulted from these items which amounted to \$25,857. However, the litigation had been denied by the Administrative Court. Jih Sun International Commercial Bank Co., Ltd. was unsatisfied with the judgment and had appealed against the judgment.
- g. For the year ended December 31, 2004, the National Tax Administration had decided that the Company's subsidiary, Jih Sun International Commercial Bank Co., Ltd. needed to pay a tax shortage of \$15,904 through the re-examination. Jih Sun International Commercial Bank Co., Ltd. had accrued this tax shortage. However, Jih Sun International Commercial Bank Co., Ltd. was unsatisfied with some items of the decision by National Tax Administration such as amortization of premium on long-term bonds, so Jih Sun International Commercial Bank Co., Ltd. filed an administrative litigation for different amount of income tax resulted from these items which amounted to \$8,462.
- h. For the year ended December 31, 2005, the National Tax Administration had decided the Company's subsidiary, Jih Sun International Commercial Bank Co., Ltd. needed to pay a tax shortage of \$41,698. Jih Sun International Commercial Bank Co., Ltd. had accrued this tax shortage. However, Jih Sun International Commercial Bank Co., Ltd. was unsatisfied with some items of the decision by National Tax Administration such as goodwill resulted from mergence with Xinying Credit Co-operative Co., operation rights resulted from acquisition of the trust department of Taiwan Land Development Trust Ltd. and amortization of premium on long-term bonds, so Jih Sun International Commercial Bank Co., Ltd. filed an administrative litigation for different amount of income tax resulted from these items which amounted to \$41,698. However, the litigation had been denied by the Administrative Court. Jih Sun International Commercial Bank Co., Ltd. was unsatisfied with the judgment and has appealed against the judgment.
- i. For the year ended December 31, 2006, the National Tax Administration had decided the Company's subsidiary, Jih Sun International Commercial Bank Co., Ltd. need to pay a shortage of \$84,416. Jih Sun International Commercial Bank Co., Ltd. had accrued this tax shortage. However, Jih Sun International Commercial Bank Co., Ltd. was unsatisfied with some items of the decision by National Tax Administration such as goodwill resulted from mergence with Xinyin Credit Co-operative Co., operation rights resulted from acquisition of the trust department of Taiwan Land Development Trust Ltd. and amortization of premium on long-term bonds, so Jih Sun International Commercial Bank Co., Ltd. applied for reexamination for different amount of income tax resulted from these items amounted to \$84,416.

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- j. For the year ended December 31, 2007, due to adapting the same standard rate within the same finance business to appraise the operating cost of Company's sub-subsidiary, Jih Sun Life Insurance Agency Co., Ltd., the National Tax Administration had decided Jih Sun Life Insurance Agency Co., Ltd. needed to pay a tax shortage of \$8,382. Jih Sun Life Insurance Agency Co., Ltd. had accrued this tax shortage. But the National Tax Administration had decided to revise the decision and refunded the tax in January, 2010. The sub-subsidiary, Jih Sun International Life Insurance Agency Co., Ltd. had received the tax refund in February, 2010.
- k. For the year ended 2003, the National Tax Administration had decided to levy additional income tax of \$269,330 on the Company's subsidiary, Jih Sun Securities Co., Ltd. The adjusted items are mainly from the premium and estimate premium of warrant issuance. Except for the disputed issues amounted to \$14,090 of tax of bond transaction and the over payment of tax withheld from tax compromise, the remaining amount had already been accrued. Jih Sun Securities Co., Ltd. had filed appeals with the Tax Authority and already received re-examination result stating that the Company's subsidiary, Jih Sun Securities Co., Ltd. does not have to pay the tax of bond transaction amounted to \$1,501 and tax withheld amounted to \$12,589. For the issue of over payment was rejected, Jih Sun Securities Co., Ltd. had filed an administrative litigation. However, the litigation had been denied by the Administrative Court. Jih Sun Securities Co., Ltd. was unsatisfied with the judgment and has appealed against the judgment. Furthermore, the judgment relating to the Imputation Credit Account has been revoked by National Tax Administration.
- l. For the year ended 2004, the National Tax Administration examined additional income tax of \$795,820 on the Company's subsidiary, Jih Sun Securities Co., Ltd. The mainly adjusted items are the premium and estimated premium of warrant issuance. Except for the income tax of \$25,148 which paid for the Financial Holding Co. shall be included into unappropriated earning surtax 10% and adjusted within the Financial Holding Co. under consolidated corporate income tax return. The remaining amount of income tax had been accrued. Jih Sun Securities Co., Ltd. was unsatisfied with the judgment and has filed an administrative litigation. Furthermore, the judgment relating to the 10% surtax on unappropriated earnings and other revenue has been revoked by National Tax Administration.
- m. For the year ended 2005, the National Tax Administration assessed additional income tax of \$145,045 on the subsidiary of the Company, Jih Sun Securities Co., Ltd., mainly for the unappropriated earnings surtax 10% from estimated premium of warrant issuance. Apart from the income tax of \$99,429 paid for the Financial Holding Co., in 2004, shall be included into unappropriated earnings surtax 10%, and adjusted within the Financial Holding Co., Ltd. under consolidate corporate income tax return. The remaining amount of income tax had been accrued. Jih Sun Securities Co., Ltd already received verdict from administrative proceedings. However, Jih Sun Securities Co., Ltd disagreed with it and had applied for appeal.



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- n. For the year ended 2006, the National Tax Administration examined additional income tax of \$269,787 on the subsidiary of the Company, Jih Sun Securities Co., Ltd. The mainly adjusted items are the premium and estimated premium of warrant issuance. Except for the part which was double counted by the National Tax Administration, the remaining amount of income tax \$177,524 had been accrued. Jih Sun Securities Co., Ltd. was unsatisfied with the judgment and has appealed for re-examination.
- o. The Company's subsidiary, Jih Sun Securities Co., Ltd. estimated its income tax on stock warrant transactions pursuant to ruling Tai-Cai-Cheng No. 861922464 issued by the Ministry of Finance on December 11, 1997. Accordingly, the proceeds from the issuance of stock warrants are accounted for as royalty revenue which is included as part of taxable income. When the investors exercise their warrant rights, such transaction is subject to the securities transaction tax in accordance with the Income Tax Law, and accordingly, any capital gain or loss is not included in the determination of the annual corporate income tax. According to the tax law, the Company's subsidiary, Jih Sun Securities Co., Ltd. estimated its income tax payable on stock warrant transactions from 2003 to June 30, 2007 amounted to \$640,760. According to article No. 24-2 of the Income Tax Act passed on July 11, 2007, Jih Sun Securities Co., Ltd. estimated income tax on Stock warrant transactions starting from July 2007:
- During the period of issued date to maturity date of the stock warrant, which is issued by the issuer, the profit and the loss of the securities and financial derivative instruments, traded according to risk management, should be added to taxable income and don't apply to the Income Tax Act, the article No. 4-1 and 4-2.
  - The transaction loss is produced from the trading of the stock, target valuable securities, and futures according to the risk management. The part of the transaction loss which exceeds the rest of the stock warrant right fee revenue deducted each related issuing cost and expenses is not deductible.
- p. According to R.O.C Income Tax Act, losses can be carried forward to offset taxable income for ten years following the loss. As of December 31, 2011, unused operating loss carry forwards and expiring year of the Company and its subsidiaries were as follows:

Jih Sun International Commercial Bank Co., Ltd.:

| <u>Year of loss incurred</u> | <u>Year of expiration</u> | <u>Amount</u>        |
|------------------------------|---------------------------|----------------------|
| 2005 (Authorized)            | 2015                      | \$ 142,635           |
| 2006 (Authorized)            | 2016                      | 3,839,263            |
| 2007 (Applied)               | 2017                      | 5,143,977            |
| 2008 (Applied)               | 2018                      | 5,172,567            |
| 2009 (Applied)               | 2019                      | 8,045,060            |
| Total                        |                           | <u>\$ 22,343,502</u> |

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- q. Related information of the Company and its subsidiaries on integrated income tax:

|  | <b>December 31,</b>    |                      |
|--|------------------------|----------------------|
|  | <b>2011</b>            | <b>2010</b>          |
| The amount of the imputation credit account                                  | \$ 1,921,321           | 2,444,189            |
|  | <b>2011(estimated)</b> | <b>2010(actual )</b> |
| Estimated (actual) rate of the imputation tax credit on distributed earnings | 20.48%                 | 20.48%               |

- r. Related information on unappropriated earnings:

|                                    | <b>December 31,</b> |             |
|------------------------------------|---------------------|-------------|
|                                    | <b>2011</b>         | <b>2010</b> |
| Unappropriated earnings after 1998 | \$ 2,118,638        | 2,817,422   |

- s. Information regarding estimation of accumulated income tax receivable (payable) resulting from joint filing of tax for the Company and its subsidiaries was as follow:

|  | <b>December 31,</b> |             |
|--|---------------------|-------------|
|  | <b>2011</b>         | <b>2010</b> |
| Income tax payable resulting from joint filing - Jih Sun International Commercial Bank Co., Ltd.           | \$ (1,682,377)      | (1,430,028) |
| Income tax payable resulting from joint filing - Jih Sun International Property Insurance Agency Co., Ltd. | (128)               | (118)       |
| Income tax receivable resulting from joint filing - Jih Sun Securities Co., Ltd.                           | 778,301             | 830,364     |
|  | \$ (904,204)        | (599,782)   |

The income tax receivable (payable) resulting from joint filing of tax is recorded as other receivable (payable), and these balances had been written-off for consolidation purposes.

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(Z) Earnings per share

- a. The numerators and denominators used in computing earnings per share were summarized as follows:

|   | For the year ended December 31, |                      |                      |                      |
|---|---------------------------------|----------------------|----------------------|----------------------|
|   | 2011                            |                      | 2010                 |                      |
|   | Before Tax                      | After Tax            | Before Tax           | After Tax            |
| <b><u>Consolidated Basic EPS</u></b>  |                                 |                      |                      |                      |
| Parent company stockholders' net income   | \$ 2,165,518                    | 2,118,638            | 2,866,030            | 2,817,422            |
| Preferred stock dividends   | (73,209)                        | (73,209)             | (75,819)             | (75,819)             |
| Net income of parent company's common share stockholders                                      | <u>\$ 2,092,309</u>             | <u>2,045,429</u>     | <u>2,790,211</u>     | <u>2,741,603</u>     |
| Weighted-average shares of common stock outstanding (per share)                               | <u>2,547,772,758</u>            | <u>2,547,772,758</u> | <u>2,351,855,760</u> | <u>2,351,855,760</u> |
| Basic EPS (in dollars)  | <u>\$ 0.82</u>                  | <u>0.80</u>          | <u>1.19</u>          | <u>1.17</u>          |
| Basic EPS - retroactive adjustment  |                                 |                      |                      |                      |
| Weighted-average number of shares outstanding – retroactive adjustment (per share)            |                                 |                      | <u>2,545,108,080</u> | <u>2,545,108,080</u> |
| Basic EPS –retroactive adjustment (in dollars)  |                                 |                      | <u>1.10</u>          | <u>1.08</u>          |
| <b><u>Consolidated Diluted EPS</u></b>  |                                 |                      |                      |                      |
| Parent company stockholders' net income   | <u>\$ 2,165,518</u>             | <u>2,118,638</u>     | <u>2,866,030</u>     | <u>2,817,422</u>     |
| Weighted-average shares of common stock outstanding (per share)                               | 2,547,772,758                   | 2,547,772,758        | 2,351,855,760        | 2,351,855,760        |
| Effect on potentially diluted shares:   |                                 |                      |                      |                      |
| convertible preferred stock   | 227,089,656                     | 227,089,656          | 229,754,334          | 229,754,334          |
| Weighted-average shares of common stock outstanding used to calculate diluted EPS (per share) | <u>2,774,862,414</u>            | <u>2,774,862,414</u> | <u>2,581,610,094</u> | <u>2,581,610,094</u> |
| Diluted EPS (in dollars)  | <u>\$ 0.78</u>                  | <u>0.76</u>          | <u>1.11</u>          | <u>1.09</u>          |
| Diluted EPS - retroactive adjustment  |                                 |                      |                      |                      |
| Weighted-average number of shares outstanding – retroactive adjustment (per share)            |                                 |                      | <u>2,774,862,414</u> | <u>2,774,862,414</u> |
| Diluted EPS - retroactive adjustment (in dollars)   |                                 |                      | <u>1.03</u>          | <u>1.02</u>          |

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(AA) Net other non-interest incomes

| <b>Item</b>   | <b>For the year ended December 31,</b> |                |
|---|--|----------------|
|   | <b>2011</b>                            | <b>2010</b>    |
| Net gain on financial assets carried at cost  | \$ 61,485                              | 10,334         |
| Leasing incomes from operating assets   | 38,459                                 | 17,456         |
| Gains on disposal of fixed assets   | 66,260                                 | 9,080          |
| Losses on disposal and retirement of fixed assets   | (17,669)                               | (12,690)       |
| Dividend revenue  | 247,468                                | 169,944        |
| Net gain (loss) realized from short covering on security borrowing and bond with resale agreement | 4,148                                  | (10,031)       |
| Net gain on warrants issued   | 398,951                                | 43,987         |
| Stock agent income  | 31,205                                 | 29,244         |
| Director's and supervisor's remuneration  | 36,081                                 | -              |
| Others  | 112,956                                | (2,615)        |
|   | <b>\$ 979,344</b>                      | <b>254,709</b> |

(AB) Related information of financial instruments

a. Information on Reclassification of Financial Assets

- (1) Jih Sun Securities Co., Ltd, among the consolidated company, adopted new amended SFAS No. 34 "Financial Instruments: Recognition and Measurement," which requires original financial assets to be reclassified, and measured at fair value on the date of reclassification is as followed:

|                                   |                           |
|-----------------------------------|---------------------------|
| Original classification :         | <b>Available-for-sale</b> |
| Financial assets held for trading | <b>financial assets</b>   |
|                                   | <b>\$ 1,045,859</b>       |

In the consolidated financial statement, Jih Sun Securities Co., Ltd. has the intention and ability to reclassify its financial assets. In addition, due to the dramatic changes in the domestic and global financial and economic trends in recent periods, where the facts and circumstances indicated that the situations were those rare ones stated in item 1, (3) of paragraph 104 of SFAS No. 34 "Financial Instruments: Recognition and Measurement," the Company reclassified its financial instrument to available-for-sale financial assets from those classified as held for trading at initial recognition.

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(2) The book value and fair value of reclassified financial assets

|            | <b>Available-for-sale financial assets</b> |             |
|------------|--|-------------|
|            | <b>December 31,</b>                        |             |
|            | <b>2011</b>                                | <b>2010</b> |
| book value | \$ 199,159                                 | 247,224     |
| fair value | \$ 199,159                                 | 247,224     |

(3) Reclassification of financial assets

|  | <b>Originally classified as financial assets held for trading</b> |             |
|--|---|-------------|
|  | <b>2011</b>   |             |
|  | <b>2011</b>   | <b>2010</b> |
| Change in fair value recognized through profit and loss without reclassification | \$ (5,576)  | 13,255      |
| The amount recognized as profit after reclassification                           | \$ 10,690   | 6,449       |

b. The fair value of the Company and its subsidiaries' financial instruments were listed as follow:

| <b>Financial Assets</b>  | <b>December 31,</b> |                   |                   |                   |
|--|---------------------|-------------------|-------------------|-------------------|
|  | <b>2011</b>         |                   | <b>2010</b>       |                   |
|  | <b>Book Value</b>   | <b>Fair Value</b> | <b>Book Value</b> | <b>Fair Value</b> |
| <b><u>Non-derivative financial instruments</u></b>             |                     |                   |                   |                   |
| Cash and cash equivalents                                      | \$ 9,554,302        | 9,554,302         | 5,409,481         | 5,409,481         |
| Due from the Central Bank and call loans to banks              | 25,689,180          | 25,689,180        | 35,460,920        | 35,460,920        |
| Financial assets measured at fair value through profit or loss | 25,413,979          | 25,413,979        | 31,152,016        | 31,152,016        |
| Securities purchased under resell agreements                   | 1,639,441           | 1,639,441         | 453,095           | 453,095           |
| Receivables- net   | 17,182,384          | 17,182,384        | 25,034,890        | 25,034,890        |
| Discounts and loans- net                                       | 132,470,587         | 132,470,587       | 128,721,950       | 128,721,950       |
| Available-for-sale financial assets- net                       | 14,966,270          | 14,966,270        | 2,349,403         | 2,349,403         |
| Held-to-maturity financial assets-net                          | 300,000             | 300,000           | 300,000           | 300,000           |
| Other financial assets- net                                    | 12,874,217          | 12,874,217        | 10,652,314        | 10,652,314        |
| <b><u>Derivative financial instruments</u></b>                 |                     |                   |                   |                   |
| Options  | 12,084              | 12,084            | 1,604             | 1,604             |
| Future exchanges margins                                       | 194,258             | 194,258           | 262,722           | 262,722           |
| Forward contracts  | 3,093               | 3,093             | 11,711            | 11,711            |
| Currency swaps   | 4,394               | 4,394             | 36,618            | 36,618            |
| Interest rate instruments                                      | 94,663              | 94,663            | 203,648           | 203,648           |
| Value of contracts   | 194                 | 194               | 22                | 22                |
| Asset swaps  | -                   | -                 | 32,650            | 32,650            |
| Structured notes   | -                   | -                 | 57,154            | 57,154            |

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| <b>Financial Liabilities</b>  | <b>December 31,</b> |                   |                   |                   |
|---|---------------------|-------------------|-------------------|-------------------|
|   | <b>2011</b>         |                   | <b>2010</b>       |                   |
|   | <b>Book Value</b>   | <b>Fair Value</b> | <b>Book Value</b> | <b>Fair Value</b> |
| <b>Non-derivative financial instruments</b>                         |                     |                   |                   |                   |
| Deposits from the Central Bank and banks                            | \$ 10,463,002       | 10,463,002        | 6,967,852         | 6,967,852         |
| Commercial papers issued - net                                      | 3,815,485           | 3,815,485         | 6,205,029         | 6,205,029         |
| Financial liabilities measured at fair value through profit or loss | 239,555             | 239,555           | 44,613            | 44,613            |
| Securities sold under repurchase agreements                         | 13,180,703          | 13,180,703        | 2,689,120         | 2,689,120         |
| Payables  | 17,115,795          | 17,115,795        | 13,736,763        | 13,736,763        |
| Deposits and exchange   | 166,830,053         | 166,830,053       | 178,713,753       | 178,713,753       |
| Bonds payable   | 4,500,000           | 4,500,000         | 4,500,000         | 4,500,000         |
| Other borrowings  | 463,654             | 463,654           | 5,060,000         | 5,060,000         |
| Other financial liabilities   | 286,092             | 286,092           | 119,658           | 119,658           |
| <b>Derivative financial instruments</b>                             |                     |                   |                   |                   |
| Warrants  | 154,693             | 154,693           | 550,741           | 550,741           |
| Options   | 11,108              | 11,108            | 5,226             | 5,226             |
| Forward contracts   | 3,069               | 3,069             | 1,794             | 1,794             |
| Currency swaps  | 9,128               | 9,128             | 61,325            | 61,325            |
| Interest rate instruments   | 91,915              | 91,915            | 192,055           | 192,055           |
| Asset swap liabilities  | -                   | -                 | 32,184            | 32,184            |
| Contract price of interest swaps                                    | -                   | -                 | 14,674            | 14,674            |
| Value of contracts  | 4,051               | 4,051             | 7,835             | 7,835             |
| Structured notes  | 35,329              | 35,329            | 229,319           | 229,319           |

c. Information of fair value of financial instruments:

Methods and assumptions used by the Company and its subsidiaries for fair value evaluation of financial instruments were as follows:

- (1) The fair value of short-term instruments was estimated by their book value on the balance sheet date. Since these instruments have short-term maturities, the book value is adopted as a reasonable basis in estimating the fair value. Short-term financial instruments comprise financial assets such as cash and cash equivalents, due from the Central Bank and call loans to banks, securities purchased under resell agreements, receivables-net, discounts and loans-net, other financial assets-net. Short-term financial liabilities comprise such as deposits from the Central Bank and banks, commercial papers issued, securities sold under repurchase agreements, payables, deposits and exchange, and other financial liabilities.
- (2) The fair value of bonds payable and other borrowings are evaluated based on the present value of expected future cash flows. The discount rate is based on rates of equivalent long-term borrowings available elsewhere; that is, long-term borrowings with similar maturity date and terms.

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- (3) Financial assets and liabilities are recognized based on the quoted market price. The fair value of financial assets are valued at open market price, such as government bonds, is determined by the closing price from equivalent O.T.C. trading system or the theoretical price, except for stocks and depository receipts. The fair value of foreign currency bond is determined by the recent market closing price; the fair value of future is decided by the settlement price; the fair value of foreign exchange is determined by the mid price. If there is no quoted market price available for the financial asset and liability, its fair value is estimated on the basis of a valuation technique. The estimations and assumptions of the valuation techniques are based on the Company's financial data or other market participants.
- (4) Fair value of financial derivative instruments is established by the amount of cash to be paid or to be received, assuming that the contract will be terminated on the balance sheet date. In general, it includes unrealized gains or losses on outstanding contracts of the current period and recognized in the current statements of income. Most of the financial derivative instruments have obtained reference reports from financial institutions.
- (5) The fair value of the financial instruments of the Company and its subsidiaries, which were based on quoted market price or determined by using certain valuation techniques were as follows:

|  | <b>December 31,</b>                          |   |  |   |
|--|--|---|--|---|
|  | <b>2011</b>                                  |   | <b>2010</b>                                  |   |
|  | <b>Based on<br/>quoted market<br/>prices</b> | <b>Determined<br/>value by using<br/>valuation<br/>techniques</b> | <b>Based on<br/>quoted market<br/>prices</b> | <b>Determined<br/>value by using<br/>valuation<br/>techniques</b> |
| <b>Financial Assets</b>  |  |   |  |   |
| <b>Non-derivative financial instruments</b>                    |  |   |  |   |
| Cash and cash equivalents                                      | \$ -   | 9,554,302   | -  | 5,409,481   |
| Due from the Central Bank and call loans to banks              | -  | 25,689,180  | -  | 35,460,920  |
| Financial assets measured at fair value through profit or loss | 25,413,979                                   | -   | 31,035,025                                   | 116,991   |
| Securities purchased under resell agreements                   | -  | 1,639,441   | -  | 453,095   |
| Receivables- net   | -  | 17,182,384  | -  | 25,034,890  |
| Discounts and loans- net                                       | -  | 132,470,587   | -  | 128,721,950   |
| Available-for-sale financial assets- net                       | 14,767,111                                   | 199,159   | 2,102,179                                    | 247,224   |
| Held-to-maturity financial assets-net                          | -  | 300,000   | -  | 300,000   |
| Other financial assets- net                                    | -  | 12,874,217  | -  | 10,652,314  |
| <b>Derivative financial instruments</b>                        |  |   |  |   |
| Options  | 9,333  | 2,751   | -  | 1,604   |
| Future exchanges margins                                       | 194,258                                      | -   | 262,722                                      | -   |
| Forward contracts  | -  | 3093  | -  | 11,711  |
| Currency swaps   | -  | 4,394   | -  | 36,618  |
| Interest rate instruments                                      | -  | 94,663  | -  | 203,648   |
| Value of contracts   | -  | 194   | -  | 22  |
| Asset swaps  | -  | -   | -  | 32,650  |
| Structured notes   | -  | -   | -  | 57,154  |

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| <b>Financial Liabilities</b>  | <b>December 31,</b>                          |   |  |   |
|---|--|---|--|---|
|   | <b>2011</b>                                  |   | <b>2010</b>                                  |   |
|   | <b>Based on<br/>quoted market<br/>prices</b> | <b>Determined<br/>value by using<br/>valuation<br/>techniques</b> | <b>Based on<br/>quoted market<br/>prices</b> | <b>Determined<br/>value by using<br/>valuation<br/>techniques</b> |
| <b>Non-derivative financial instruments</b>                         |  |   |  |   |
| Deposit from the Central Bank and banks                             | \$ -   | 10,463,002  | -  | 6,967,852   |
| Commercial papers issued - net                                      | -  | 3,815,485   | -  | 6,205,029   |
| Financial liabilities measured at fair value through profit or loss | 239,555                                      | -   | 44,613                                       | -   |
| Securities sold under repurchase agreements                         | -  | 13,180,703  | -  | 2,689,120   |
| Payables  | -  | 17,115,795  | -  | 13,736,763  |
| Deposits and exchange   | -  | 166,830,053   | -  | 178,713,753   |
| Bonds payable   | -  | 4,500,000   | -  | 4,500,000   |
| Other borrowings  | -  | 463,654   | -  | 5,060,000   |
| Other financial liabilities   | -  | 286,092   | -  | 119,658   |
| <b>Derivative financial instruments</b>                             |  |   |  |   |
| Warrants  | 154,693                                      | -   | 550,741                                      | -   |
| Options   | 8,379  | 2,729   | 3,622  | 1,604   |
| Forward contracts   | -  | 3,069   | -  | 1,794   |
| Currency swaps  | -  | 9,128   | -  | 61,325  |
| Interest rate products  | -  | 91,915  | -  | 192,055   |
| Asset swap liabilities  | -  | -   | -  | 32,184  |
| Contract price of interest swaps                                    | -  | -   | -  | 14,674  |
| Value of contracts  | -  | 4,051   | -  | 7,835   |
| Structured notes  | -  | 35,329  | -  | 229,319   |

d. Fair value hierarchy information of financial instruments:

(1) Fair value hierarchy information of financial instruments

| <b>A fair value measurement<br/>for financial instruments</b> | <b>December 31, 2011</b> |                             |                             |                             |
|---|--------------------------|-----------------------------|-----------------------------|-----------------------------|
|   | <b>Total</b>             | <b>Level 1<br/>(Note 1)</b> | <b>Level 2<br/>(Note 2)</b> | <b>Level 3<br/>(Note 3)</b> |
| <b>Non-Derivative Financial Instruments</b>                   |                          |                             |                             |                             |
| <b>Assets:</b>  |                          |                             |                             |                             |
| Financial assets measured at FVTPL                            |                          |                             |                             |                             |
| Financial assets held for trading                             |                          |                             |                             |                             |
| Investment in securities                                      | \$ 755,042               | 755,042                     | -                           | -                           |
| Investment in bonds   | 23,088,073               | 13,681,374                  | 9,406,699                   | -                           |
| Others  | 1,570,864                | 84,611                      | 1,486,253                   | -                           |
| Available-for-sale financial assets                           |                          |                             |                             |                             |
| Investment in securities                                      | 162,959                  | 162,959                     | -                           | -                           |
| Investment in bonds   | 14,803,311               | 10,101,756                  | 4,701,555                   | -                           |
| <b>Liabilities:</b>   |                          |                             |                             |                             |
| Financial liabilities measured at FVTPL                       | 239,555                  | 239,555                     | -                           | -                           |
| <b>Derivative Financial Instruments</b>                       |                          |                             |                             |                             |
| <b>Assets:</b>  |                          |                             |                             |                             |
| Financial assets measured at FVTPL                            | \$ 308,686               | 203,591                     | 102,344                     | 2,751                       |
| <b>Liabilities:</b>   |                          |                             |                             |                             |
| Financial liabilities measured at FVTPL                       | 309,293                  | 163,072                     | 108,163                     | 38,058                      |



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- (2) Statements of changes in financial assets which were classified to Level 3 based on fair value measurement

| Items                              | Beginning balance | Valuation adjustment recognized in current net gains(losses) | Increase          |                       | Decrease                     |                         | Ending balance |
|------------------------------------|-------------------|--|-------------------|-----------------------|------------------------------|-------------------------|----------------|
|                                    |                   |  | Purchase or issue | Transfer into Level 3 | Sale, disposal or settlement | Transfer out of Level 3 |                |
| Financial assets measured at FVTPL |                   |  |                   |                       |                              |                         |                |
| Currency option                    | \$ 1,604          | 1,634  | 16,010            | -                     | (16,497)                     | -                       | 2,751          |
| Structured notes                   | \$ 57,154         | (694)  | 817,894           | -                     | (874,354)                    | -                       | -              |

- (3) Statements of changes in financial liabilities which were classified to Level 3 based on fair value measurement

| Items                                   | Beginning balance | Valuation adjustment recognized in current net gains | Increase          |                       | Decrease                     |                         | Ending balance |
|---|-------------------|--|-------------------|-----------------------|------------------------------|-------------------------|----------------|
|   |                   |  | Purchase or issue | Transfer into Level 3 | Sale, disposal or settlement | Transfer out of Level 3 |                |
| Financial liabilities measured at FVTPL |                   |  |                   |                       |                              |                         |                |
| Currency option                         | \$ 1,604          | 911  | 43,420            | -                     | (43,206)                     | -                       | 2,729          |
| Structured notes                        | \$ 229,319        | 515  | 1,840,150         | -                     | (2,034,655)                  | -                       | 35,329         |

Note1: A Fair value measurement for financial instruments classified in Level 1 is determined as the quoted price for an identical financial instrument in an active market. In accordance with the fifth paragraph of SFAS No. 34 "Financial Instruments: Recognition and Measurement", the definition of active market fulfills all of the following conditions:

- (1) The products traded in the market are homogeneous;
- (2) Willing parties are available anytime in the market;
- (3) Price information is available for the public.

Note 2: A Fair value measurement for financial instruments classified in Level 2 is determined as the observable price other than quoted price in an active market including an observable input obtained in an active market, either directly (i.e., as prices) or indirectly (i.e., derived from prices). The examples of observable price are as follows

- (1) The quoted price for an identical financial instrument in an active market means the fair value from the occurring market transaction prices for an identical financial instrument. An identical financial instrument should be determined by its characteristics and terms of transaction. The fair value of financial instrument has to be adjusted according to the observable market price of the identical financial instrument, the reasons for adjustments include time lag of the occurring market transaction prices for an identical financial instrument (the quoted prices does not represent fair value at the measurement date), the difference of

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transaction terms for financial instruments, transaction prices involved in related parties, the correlation between the observable transaction prices of identical financial instruments and market price of held financial instruments.

- (2) The quoted market price of the same or identical financial instruments in an inactive market.
- (3) The fair value is estimated on the basis of the results of a valuation technique and the market inputs (i.e., interest rate, yield curve, and fluctuation rate) used were based on obtainable data from market (an observable input means an input can be derived from market data and can reflect the expectation of market participants when the inputs were used in evaluating the prices of financial instruments).
- (4) A majority of inputs derived from observable market data, or the input correlation can be tested based on observable market data.

Note 3: Input for a fair value measurement for financial instruments classified in Level 3 is not based on obtainable data from market (an unobservable input, such as volatility for a share option derived from the share's historical prices, as it does not generally represent current market expectations about future volatility).

- e. For the years ended December 31, 2011 and 2010, the Company's subsidiary Jih Sun International Commercial Bank Co., Ltd.'s current evaluation loss and gain arising from the fair value evaluation of financial instruments by using quoted market prices amounted to gain of \$82,667 and loss of \$231,505, respectively. The loss and gain arising from using valuation techniques method to determine the changes of the fair value were loss of \$18,478 and \$480, respectively.
- f. For the years ended December 31, 2011 and 2010, the interest income arising from financial assets and liabilities which were not carried at fair value through profit or loss by the Company's subsidiary, Jin Sun International Commercial Bank Co., Ltd. amounted \$3,268,291 and \$3,061,186, respectively. Interest expense were amounted \$1,379,708 and \$1,183,846, respectively. For the years ended December 31, 2011 and 2010, the available-for-sale financial assets were recognized directly by the Company's subsidiary, Jin Sun International Commercial Bank Co., Ltd. as an adjustment item under shareholders' equity, adjusted item amounted gain of \$49,575 and \$27,829, respectively; realized gains or losses resulting from such adjustments were recognized in current profit or loss on available-for-sale financial assets amounting to gain of \$1,012 and loss of \$75,804, respectively.

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g. Financial risk management policy and risk information:

The financial risk management structures of the Company and its subsidiaries include the board of directors and senior management of the Company and its subsidiaries, the Risk Management Committee, the risk management division and risk management unit under individual business group. The major objective of operating strategies is to monitor and manage related risk structures for overall risk of the Company which the risk management division is responsible for detecting relevant risks arising from risk management unit under individual business group. The integrated management among the Risk Management Committee, the risk management division and risk management unit under individual business group is to meet appropriate balance between risk and return, and the expectation return of shareholders.

In order to achieve the operating goal and increase return of shareholders', appropriate risk management should be implemented to enhance the effective risk management system and sound business operation. Therefore, the board of directors of the Company and its subsidiaries set out and approve risk management strategies to achieve efficient and effective risk management system; these strategies are used to control and manage relevant risk.

(1) Policies of risk control management:

A. The principle of risk management

- (a) The risk management system of a scientific approach was to analyze risk objectively and deliberately in order to achieve reasonable return.
- (b) The risk management structure of efficient approach is executed by individual business unit to carry out daily management operation and nominate the risk management division to present periodic risk management report to the board of directors in order to manage risk instantaneously and effectively. If there are significant risk exposures which endanger financial position or business condition or regulation compliance, immediate action is required and should be reported to board of directors immediately.
- (c) The integrated risk management function was in place to monitor capital adequacy of financial holding company and its subsidiaries based on the business scale, credit risk, market risk, operation risk and future operation tendency. The integrated risk management is to monitor risks of investment allocation based on financial holding company's aggregated exposure risk, equity capital, and characteristic of liability.

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B. The operation of risk management function should have characteristics as following:

- (a) Timely: The operation system should provide risk forecasting report, strategies and avoidance to the risk in accordance with the risks resulted from the process of decision-making of the Company and its subsidiaries so that the system can apply the risk management function immediately.
- (b) Effectiveness: The Company and its subsidiary should set up appropriate risk management procedure, monitoring method and emergency response plan to keep the effectiveness of the risk management function against any possible risk.

(2) Various risks in relation to the Company and its subsidiaries

A. Market risk

Market risk is defined as the exposure to market factors (such as interest, stock price, exchange rate, etc.) that resulted in unstable price changes of assets which arise from operating financial instrument actively and expansion of business. In order to effectively assess the exposure of market risk, policy regarding to scientific method, market risk management system, management indicator and limitation indicator are set to against market risk.

The Company and its subsidiaries recognize, measure, control and manage market risk, in addition to the traditional position authorized quota, loss or income limitation quota, risk index quota (i.e.: Greeks, PVBP, DV01.....). Using the methods of VaR (Value at Risk) to estimate position's exposure. VaR is estimated for the most probable loss resulting from the market price changes at special period and confidence level.

The recognition of Market risk for the Company and its subsidiaries: Risk factors of Market risk estimation model includes Interest, FX, Equity, Commodity, etc.

The estimation standards of the Company and its subsidiaries' VaR of market risk is as follows:

- ◆ Model: Mainly based on Monte Carlo simulations model, with option to use the Variance-covariance matrices model or historical simulations model to estimate VaR.
- ◆ Method: Using EWMA to estimate fluctuation rate for the previous year.
- ◆ Frequency: Update market data on a daily basis, with consideration of the correlation between different market price factors, and calculate ten days(one-tail) VaR with 99% confidence level.

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In relation to the Company's subsidiary, Jin Sun International Commercial Bank Co., Ltd., the VaR for the fourth quarter ended 2011 (2011.10.1~2011.12.31) was as follows: (a hundred million)

| <b>99% C.L 10 days (VaR)</b> | <b>Season Average</b> | <b>Season High</b> | <b>Season Low</b> |
|------------------------------|-----------------------|--------------------|-------------------|
| Exchange instrument          | 0.276                 | 0.880              | 0.054             |
| Interest instrument          | 0.145                 | 0.239              | 0.104             |
| Equity instrument            | 0.058                 | 0.085              | 0.073             |
| Distribution effective       | (0.162)               | (0.322)            | (0.126)           |
| VaR                          | 0.317                 | 0.882              | 0.105             |
| <b>99% C.L 1 day (VaR)</b>   | <b>Season Average</b> | <b>Season High</b> | <b>Season Low</b> |
| Exchange instrument          | 0.089                 | 0.290              | 0.017             |
| Interest instrument          | 0.046                 | 0.076              | 0.033             |
| Equity instrument            | 0.019                 | 0.029              | 0.025             |
| Distribution effective       | (0.052)               | (0.104)            | (0.041)           |
| VaR                          | 0.102                 | 0.291              | 0.034             |

In relation to the Company's subsidiary, Jin Sun International Commercial Bank Co., Ltd., the VaR for the fourth quarter ended 2010 (2010.10.1~2010.12.31) was as follows: (a hundred million)

| <b>99% C.L 10 days (VaR)</b> | <b>Season Average</b> | <b>Season High</b> | <b>Season Low</b> |
|------------------------------|-----------------------|--------------------|-------------------|
| Exchange instrument          | 0.137                 | 0.263              | 0.117             |
| Interest instrument          | 0.442                 | 0.487              | 0.382             |
| Equity instrument            | 0.125                 | 0.048              | 0.194             |
| Distribution effective       | (0.232)               | (0.196)            | (0.328)           |
| VaR                          | 0.472                 | 0.602              | 0.365             |
| <b>99% C.L 1 day (VaR)</b>   | <b>Season Average</b> | <b>Season High</b> | <b>Season Low</b> |
| Exchange instrument          | 0.044                 | 0.084              | 0.037             |
| Interest instrument          | 0.140                 | 0.155              | 0.121             |
| Equity instrument            | 0.041                 | 0.016              | 0.062             |
| Distribution effective       | (0.074)               | (0.063)            | (0.103)           |
| VaR                          | 0.151                 | 0.192              | 0.117             |

**B. Credit Risk**

Credit risk is defined in the event when counterparties fail to perform its obligation which arising from operating financial instruments actively and expanding the business with possible loss or financial status worsen by the counterparties or credit customers. Therefore, the Company should set up standard evaluation method of asset quality and classification to compute and control the exposure regarding the industry characteristics. The method should be reviewed periodically to recognize allowance for credit loss and reserve. Moreover, according to the credit policy for credit rating and asset diversity, the credit information of counterparties and credit customers should be monitored and collected as management indicator to minimize the risk of default and credit concentrations.

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Concentrations of credit risk exist when counter-parties to financial instrument transactions are individuals or groups engaged in similar activities with similar economic characteristics, which would impair their ability to meet contractual obligations under negative economic or other conditions. In relation to the Company's subsidiary, Jin Sun International Commercial Bank Co., Ltd., there is no significant concentration of credit risk in terms of a single client, a party to a transaction, or clients located in nearby regions, except for clients being in one single industry with similar industrial characteristics. The Company's subsidiary, Jin Sun International Commercial Bank Co., Ltd.'s contracts with concentration of credit risk were as follows:

|                            | <b>December 31,</b>   |  |                    |  |
|----------------------------|-----------------------|--|--------------------|--|
|                            | <b>2011</b>           |  | <b>2010</b>        |  |
|                            | <b>Book Value</b>     | <b>Maximum exposure to credit risk</b> | <b>Book Value</b>  | <b>Maximum exposure to credit risk</b> |
| <b>Type of industries</b>  |                       |  |                    |  |
| Manufacturing industries   | \$ 21,794,960         | 21,794,960                             | 19,070,524         | 19,070,524                             |
| Financial industries       | 1,903,883             | 1,903,883                              | 3,124,856          | 3,124,856                              |
| Construction industries    | 5,604,384             | 5,604,384                              | 4,903,239          | 4,903,239                              |
| Other                      | 104,585,359           | 104,585,359                            | 102,808,222        | 102,808,222                            |
| Total                      | <b>\$ 133,888,586</b> | <b>133,888,586</b>                     | <b>129,906,841</b> | <b>129,906,841</b>                     |
| <b>Geographic location</b> |                       |  |                    |  |
| Domestic                   | \$ 121,541,561        | 121,541,561                            | 120,632,825        | 120,632,825                            |
| Other                      | 12,347,025            | 12,347,025                             | 9,274,016          | 9,274,016                              |
| Total                      | <b>\$ 133,888,586</b> | <b>133,888,586</b>                     | <b>129,906,841</b> | <b>129,906,841</b>                     |

Financial instruments with off-balance-sheet credit risk:

Since the Company's subsidiary, Jih Sun International Commercial Bank Co., Ltd. provides loans and issues credit cards, it has substantial credit commitments, most of which are confined to one year. The interest rate interval of the credit extension is between 0.25% and 20%, and the maximum interest rate of credit card is up to 19.99%. Furthermore, the Company's subsidiary, Jih Sun International Commercial Bank Co., Ltd. also provides guarantee endorsements, and commercial letters of credit as a guarantee for clients' obligations to third parties. These guarantee agreements are usually for one year period and the maturity date doesn't concentrate on the specific time.

The contract amounts of financial instruments with off-balance-sheet credit risk by the Company's subsidiary, Jih Sun International Commercial Bank Co., Ltd. were as follows:

|  | <b>December 31,</b>  |                   |
|--|----------------------|-------------------|
|  | <b>2011</b>          | <b>2010</b>       |
| Loans commitments                          | \$ 20,790,092        | 12,393,192        |
| Credit card commitments                    | 35,740,790           | 51,127,576        |
| Guarantees and commercial letter of credit | 1,548,821            | 2,567,935         |
|  | <b>\$ 58,079,703</b> | <b>66,088,703</b> |

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As of December 31, 2011 and 2010, unused loans commitments of the Company's subsidiary, Jih Sun International Commercial Bank Co., Ltd. were \$20,790,092 and \$12,393,192, respectively, and the unused credit card commitments were \$34,884,833 and \$50,064,090, respectively.

Since these financial instruments are not settled prior to maturity, the contract amount does not represent cash outflow in the future; that is, demand for cash in the future is lower than the contract amount. If lines of credit are reached and collateral or other guarantees are completely worthless, credit risk is equivalent to the contract amount, which is the maximum possible loss.

However, prior to providing loans, guarantee endorsements, and commercial letters of credit, the Company's subsidiary, Jih Sun International Commercial Bank Co., Ltd. performs a strict credit review. The strategy of Jih Sun International Commercial Bank Co., Ltd. is to demand for sufficient collaterals from some of the specific customers before making payment of the approved loans. The loans with collaterals account for approximate 67.24% of total amount of loans. The holding guarantee rate of guarantee endorsements and commercial letters of credit is between 0% and 100%, and average rate is 32.96%, approximately. The collaterals for the loan, guarantee endorsements, and commercial letters of credit, are cash, inventory, current securities or other assets.

While the customers default, the bank will execute the right of collaterals and other guarantees

Collateral is not required for credit card loans. Nonetheless, the Company's subsidiary, Jih Sun International Commercial Bank Co., Ltd. evaluates the credit of cardholders periodically and adjusts cardholders' credit limits if necessary.

C. Liquidity Risk

In accordance with reserve required and minimum liquidity ratio set by the competent authority, the Company and its subsidiaries should establish analysis for liquidity gap, set up management indicator and limitation indicator to develop strategies against liquidity to become worse.

The capital and operation fund of the Company and its subsidiaries are sufficient to pay for its obligations, therefore, there is no liquidity risk regarding to the fund for the obligation.

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The valuation of the Jin Sun International Commercial Bank's liquidity ability which the Bank adapts the appropriate way of classification, in accordance with the characteristics of asset and liability, to undertake the due analysis, and the analysis were as follows:

| <b>Financial instrument</b>  | <b>December 31, 2011</b> |                               |                                |                               |
|--|--------------------------|-------------------------------|--------------------------------|-------------------------------|
|  | <b>Under 1 month</b>     |                               | <b>Over 1 month to 3 month</b> |                               |
|  | <b>Amount</b>            | <b>Possible Refund Amount</b> | <b>Amount</b>                  | <b>Possible Refund Amount</b> |
| <b>Asset:</b>  |                          |                               |                                |                               |
| Cash and cash equivalents  | \$ 2,896,261             | 2,896,261                     | -                              | -                             |
| Due from the Central Bank and call loans to banks                                | 13,803,656               | 13,803,656                    | 4,839,074                      | 4,839,074                     |
| Financial assets held for trading  | 1,464,489                | 1,464,489                     | 55,071                         | 55,071                        |
| Receivables (excluding allowance for bad debts)                                  | 1,955,219                | 1,955,219                     | 515,689                        | 515,689                       |
| Available-for-sale financial assets  | 60,953                   | 60,953                        | -                              | -                             |
| Securities purchased under resell agreements                                     | 1,289,263                | 1,289,263                     | -                              | -                             |
| Loans (excluding allowance for credit losses adjustment of discount and premium) | 8,478,490                | 8,478,490                     | 14,926,147                     | 14,926,147                    |
| Held-to-maturity financial assets  | -                        | -                             | -                              | -                             |
| Other financial assets   | 16,472                   | 16,472                        | 69,609                         | 69,609                        |
| <b>Total</b>   | <b>\$ 29,964,803</b>     | <b>29,964,803</b>             | <b>20,405,590</b>              | <b>20,405,590</b>             |
| <b>Liabilities:</b>  |                          |                               |                                |                               |
| Deposits from the Central Bank and other banks                                   | \$ 5,705,487             | 5,705,487                     | 1,032,429                      | 1,032,429                     |
| Financial liabilities held for trading   | 106,952                  | 106,952                       | -                              | -                             |
| Securities sold under repurchase agreements                                      | 4,670,265                | 4,670,265                     | 878,478                        | 878,478                       |
| Payables   | 2,270,808                | 2,270,808                     | 481,678                        | 481,678                       |
| Deposits and remittances   | 27,536,718               | 27,536,718                    | 18,782,679                     | 18,782,679                    |
| Financial bonds payable  | -                        | -                             | -                              | -                             |
| Other financial liabilities  | 228,247                  | 228,247                       | 11,318                         | 11,318                        |
| <b>Total</b>   | <b>\$ 40,518,477</b>     | <b>40,518,477</b>             | <b>21,186,582</b>              | <b>21,186,582</b>             |
| <b>Net currency gap</b>  | <b>\$(10,553,674)</b>    | <b>(10,553,674)</b>           | <b>(780,992)</b>               | <b>(780,992)</b>              |



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| <b>Financial instrument</b>  | <b>December 31, 2011</b>      |                                       |                              |                                       |
|--|-------------------------------|---------------------------------------|------------------------------|---------------------------------------|
|  | <b>Over 3 month to 1 year</b> |                                       | <b>Over 1 year to 2 year</b> |                                       |
|  | <b>Amount</b>                 | <b>Possible<br/>Refund<br/>Amount</b> | <b>Amount</b>                | <b>Possible<br/>Refund<br/>Amount</b> |
| Asset:   |                               |                                       |                              |                                       |
| Cash and cash equivalents  | \$ -                          | -                                     | -                            | -                                     |
| Due from the Central Bank and call loans to banks                                | 5,518,988                     | 5,518,988                             | 1,527,462                    | 1,527,462                             |
| Financial assets held for trading  | 588,549                       | 588,549                               | 4,580,619                    | 4,580,619                             |
| Receivables (excluding allowance for bad debts)                                  | 1,807,621                     | 1,807,621                             | 1,713,949                    | 1,713,949                             |
| Available-for-sale financial assets  | -                             | -                                     | -                            | -                                     |
| Securities purchased under resell agreements                                     | -                             | -                                     | -                            | -                                     |
| Loans (excluding allowance for credit losses adjustment of discount and premium) | 17,251,075                    | 17,251,075                            | 12,130,471                   | 12,130,471                            |
| Held-to-maturity financial assets  | -                             | -                                     | -                            | -                                     |
| Other financial assets   | 326,108                       | 326,108                               | 8,087                        | 8,087                                 |
| <b>Total</b>   | <b>\$ 25,492,341</b>          | <b>25,492,341</b>                     | <b>19,960,588</b>            | <b>19,960,588</b>                     |
| Liabilities:   |                               |                                       |                              |                                       |
| Deposits from the Central Bank and other banks                                   | \$ 3,402,410                  | 3,402,410                             | 322,676                      | 322,676                               |
| Financial liabilities held for trading   | -                             | -                                     | -                            | -                                     |
| Securities sold under repurchase agreements                                      | -                             | -                                     | -                            | -                                     |
| Payables   | 592,391                       | 592,391                               | 47,069                       | 47,069                                |
| Deposits and remittances   | 69,789,807                    | 69,789,807                            | 52,148,542                   | 52,148,542                            |
| Financial bonds payable  | 2,000,000                     | 2,000,000                             | -                            | -                                     |
| Other financial liabilities  | 6,950                         | 6,950                                 | 18,500                       | 18,500                                |
| <b>Total</b>   | <b>\$ 75,791,558</b>          | <b>75,791,558</b>                     | <b>52,536,787</b>            | <b>52,536,787</b>                     |
| <b>Net currency gap</b>  | <b>\$(50,299,217)</b>         | <b>(50,299,217)</b>                   | <b>(32,576,199)</b>          | <b>(32,576,199)</b>                   |

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| <b>Financial instrument</b>  | <b>December 31, 2011</b>     |                                       |                              |                                       |
|--|------------------------------|---------------------------------------|------------------------------|---------------------------------------|
|  | <b>Over 2 year to 3 year</b> |                                       | <b>Over 3 year to 4 year</b> |                                       |
|  | <b>Amount</b>                | <b>Possible<br/>Refund<br/>Amount</b> | <b>Amount</b>                | <b>Possible<br/>Refund<br/>Amount</b> |
| <b>Asset:</b>  |                              |                                       |                              |                                       |
| Cash and cash equivalents  | \$ -                         | -                                     | -                            | -                                     |
| Due from the Central Bank and call loans to banks                                | -                            | -                                     | -                            | -                                     |
| Financial assets held for trading  | 1,011,269                    | 1,011,269                             | 4,390,732                    | 4,390,732                             |
| Receivables (excluding allowance for bad debts)                                  | 25,208                       | 25,208                                | 25,208                       | 25,208                                |
| Available-for-sale financial assets  | 2,651,296                    | 2,651,296                             | 4,432,392                    | 4,432,392                             |
| Securities purchased under resell agreements                                     | -                            | -                                     | -                            | -                                     |
| Loans (excluding allowance for credit losses adjustment of discount and premium) | 4,816,723                    | 4,816,723                             | 4,583,302                    | 4,583,302                             |
| Held-to-maturity financial assets  | -                            | -                                     | 300,000                      | 300,000                               |
| Other financial assets   | 9,155                        | 9,155                                 | 6,963                        | 6,963                                 |
| <b>Total</b>   | <b>\$ 8,513,651</b>          | <b>8,513,651</b>                      | <b>13,738,597</b>            | <b>13,738,597</b>                     |
| <b>Liabilities:</b>  |                              |                                       |                              |                                       |
| Deposits from the Central Bank and other banks                                   | \$ -                         | -                                     | -                            | -                                     |
| Financial liabilities held for trading   | -                            | -                                     | -                            | -                                     |
| Securities sold under repurchase agreements                                      | -                            | -                                     | -                            | -                                     |
| Payables   | -                            | -                                     | -                            | -                                     |
| Deposits and remittances   | 51,010                       | 51,010                                | -                            | -                                     |
| Financial bonds payable  | 500,000                      | 500,000                               | -                            | -                                     |
| Other financial liabilities  | 6,000                        | 6,000                                 | 3,000                        | 3,000                                 |
| <b>Total</b>   | <b>\$ 557,010</b>            | <b>557,010</b>                        | <b>3,000</b>                 | <b>3,000</b>                          |
| <b>Net currency gap</b>  | <b>\$ 7,956,641</b>          | <b>7,956,641</b>                      | <b>13,735,597</b>            | <b>13,735,597</b>                     |

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| Financial instrument   | December 31, 2011     |                        |                   |                        |
|--|-----------------------|------------------------|-------------------|------------------------|
|  | Over 4 year to 5 year |                        | Over 5 year       |                        |
|  | Amount                | Possible Refund Amount | Amount            | Possible Refund Amount |
| Asset:   |                       |                        |                   |                        |
| Cash and cash equivalents  | \$ -                  | -                      | -                 | -                      |
| Due from the Central Bank and call loans to banks                                | -                     | -                      | -                 | -                      |
| Financial assets held for trading  | 2,532,865             | 2,532,865              | 2,722,678         | 2,722,678              |
| Receivables (excluding allowance for bad debts)                                  | 25,208                | 25,208                 | -                 | -                      |
| Available-for-sale financial assets  | 2,560,531             | 2,560,531              | 5,061,939         | 5,061,939              |
| Securities purchased under resell agreements                                     | -                     | -                      | -                 | -                      |
| Loans (excluding allowance for credit losses adjustment of discount and premium) | 5,619,530             | 5,619,530              | 66,082,848        | 66,082,848             |
| Held-to-maturity financial assets  | -                     | -                      | -                 | -                      |
| Other financial assets   | 8,224                 | 8,224                  | 641,870           | 641,870                |
| Total  | <u>\$ 10,746,358</u>  | <u>10,746,358</u>      | <u>74,509,335</u> | <u>74,509,335</u>      |
| Liabilities:   |                       |                        |                   |                        |
| Deposits from the Central Bank and other banks                                   | \$ -                  | -                      | -                 | -                      |
| Financial liabilities held for trading   | -                     | -                      | -                 | -                      |
| Securities sold under repurchase agreements                                      | -                     | -                      | -                 | -                      |
| Payables   | -                     | -                      | -                 | -                      |
| Deposits and remittances   | -                     | -                      | -                 | -                      |
| Financial bonds payable  | -                     | -                      | -                 | -                      |
| Other financial liabilities  | 1,190                 | 1,190                  | -                 | -                      |
| Total  | <u>\$ 1,190</u>       | <u>1,190</u>           | <u>-</u>          | <u>-</u>               |
| Net currency gap   | <u>\$ 10,745,168</u>  | <u>10,745,168</u>      | <u>74,509,335</u> | <u>74,509,335</u>      |

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| <b>Financial instrument</b>  | <b>December 31, 2011</b> |                                   |
|--|--------------------------|-----------------------------------|
|  | <b>Total</b>             |                                   |
|  | <b>Amount</b>            | <b>Possible Refund<br/>Amount</b> |
| Asset:   |                          |                                   |
| Cash and cash equivalents  | \$ 2,896,261             | 2,896,261                         |
| Due from the Central Bank and call loans to banks                                | 25,689,180               | 25,689,180                        |
| Financial assets held for trading  | 17,346,272               | 17,346,272                        |
| Receivables (excluding allowance for bad debts)                                  | 6,068,102                | 6,068,102                         |
| Available-for-sale financial assets  | 14,767,111               | 14,767,111                        |
| Securities purchased under resell agreements                                     | 1,289,263                | 1,289,263                         |
| Loans (excluding allowance for credit losses adjustment of discount and premium) | 133,888,586              | 133,888,586                       |
| Held-to-maturity financial assets  | 300,000                  | 300,000                           |
| Other financial assets   | 1,086,488                | 1,086,488                         |
| Total  | <b>\$ 203,331,263</b>    | <b>203,331,263</b>                |
| Liabilities:   |                          |                                   |
| Deposits from the Central Bank and other banks                                   | \$ 10,463,002            | 10,463,002                        |
| Financial liabilities held for trading   | 106,952                  | 106,952                           |
| Securities sold under repurchase agreements                                      | 5,548,743                | 5,548,743                         |
| Payables   | 3,391,946                | 3,391,946                         |
| Deposits and remittances   | 168,308,756              | 168,308,756                       |
| Financial bonds payable  | 2,500,000                | 2,500,000                         |
| Other financial liabilities  | 275,205                  | 275,205                           |
| Total  | <b>\$ 190,594,604</b>    | <b>190,594,604</b>                |
| Net currency gap   | <b>\$ 12,736,659</b>     | <b>12,736,659</b>                 |

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| <b>Financial instrument</b>                       | <b>December 31, 2010</b> |                               |                                |                               |
|---|--------------------------|-------------------------------|--------------------------------|-------------------------------|
|   | <b>Under 1 month</b>     |                               | <b>Over 1 month to 3 month</b> |                               |
|   | <b>Amount</b>            | <b>Possible Refund Amount</b> | <b>Amount</b>                  | <b>Possible Refund Amount</b> |
| <b>Asset:</b>                                     |                          |                               |                                |                               |
| Cash and cash equivalents                         | \$ 2,334,484             | 2,334,484                     | -                              | -                             |
| Due from the Central Bank and call loans to banks | 25,295,570               | 25,295,570                    | 4,561,355                      | 4,561,355                     |
| Financial assets held for trading                 | 427,929                  | 427,929                       | 21,635                         | 21,635                        |
| Receivables (excluding allowance for bad debts)   | 1,727,422                | 1,727,422                     | 501,919                        | 501,919                       |
| Available-for-sale financial assets               | 12,390                   | 12,390                        | -                              | -                             |
| Securities purchased under resell agreements      | 453,095                  | 453,095                       | -                              | -                             |
| Loans (excluding allowance for credit losses)     | 10,109,939               | 10,109,939                    | 9,550,678                      | 9,550,678                     |
| Held-to-maturity financial assets                 | -                        | -                             | -                              | -                             |
| Other financial assets                            | 10,872                   | 10,872                        | 83,029                         | 83,029                        |
| <b>Total</b>                                      | <b>\$ 40,371,701</b>     | <b>40,371,701</b>             | <b>14,718,616</b>              | <b>14,718,616</b>             |
| <b>Liabilities:</b>                               |                          |                               |                                |                               |
| Deposits from the Central Bank and other banks    | \$ 1,577,885             | 1,577,885                     | 865,592                        | 865,592                       |
| Financial liabilities held for trading            | 256,778                  | 256,778                       | -                              | -                             |
| Securities sold under repurchase agreements       | 384,973                  | 384,973                       | -                              | -                             |
| Payables  | 1,360,537                | 1,360,537                     | 350,790                        | 350,790                       |
| Deposits and remittances                          | 29,052,577               | 29,052,577                    | 20,370,611                     | 20,370,611                    |
| Financial bonds payable                           | -                        | -                             | -                              | -                             |
| Other financial liabilities                       | 52,930                   | 52,930                        | -                              | -                             |
| <b>Total</b>                                      | <b>\$ 32,685,680</b>     | <b>32,685,680</b>             | <b>21,586,993</b>              | <b>21,586,993</b>             |
| <b>Net currency gap</b>                           | <b>\$ 7,686,021</b>      | <b>7,686,021</b>              | <b>(6,868,377)</b>             | <b>(6,868,377)</b>            |

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| <b>Financial instrument</b>                       | <b>December 31, 2010</b>      |                                       |                              |                                       |
|---|-------------------------------|---------------------------------------|------------------------------|---------------------------------------|
|   | <b>Over 3 month to 1 year</b> |                                       | <b>Over 1 year to 2 year</b> |                                       |
|   | <b>Amount</b>                 | <b>Possible<br/>Refund<br/>Amount</b> | <b>Amount</b>                | <b>Possible<br/>Refund<br/>Amount</b> |
| Asset:  |                               |                                       |                              |                                       |
| Cash and cash equivalents                         | \$ -                          | -                                     | -                            | -                                     |
| Due from the Central Bank and call loans to banks | 4,128,705                     | 4,128,705                             | 1,475,290                    | 1,475,290                             |
| Financial assets held for trading                 | 573,242                       | 573,242                               | 320,573                      | 320,573                               |
| Receivables (excluding allowance for bad debts)   | 1,760,610                     | 1,760,610                             | 1,470,383                    | 1,470,383                             |
| Available-for-sale financial assets               | 151,621                       | 151,621                               | -                            | -                                     |
| Securities purchased under resell agreements      | -                             | -                                     | -                            | -                                     |
| Loans (excluding allowance for credit losses)     | 17,364,541                    | 17,364,541                            | 4,753,566                    | 4,753,566                             |
| Held-to-maturity financial assets                 | -                             | -                                     | -                            | -                                     |
| Other financial assets                            | 389,196                       | 389,196                               | 12,862                       | 12,862                                |
| <b>Total</b>                                      | <b>\$ 24,367,915</b>          | <b>24,367,915</b>                     | <b>8,032,674</b>             | <b>8,032,674</b>                      |
| Liabilities:                                      |                               |                                       |                              |                                       |
| Deposits from the Central Bank and other banks    | \$ 3,238,560                  | 3,238,560                             | 1,285,815                    | 1,285,815                             |
| Financial liabilities held for trading            | -                             | -                                     | -                            | -                                     |
| Securities sold under repurchase agreements       | -                             | -                                     | -                            | -                                     |
| Payables  | 537,086                       | 537,086                               | 50,756                       | 50,756                                |
| Deposits and remittances                          | 79,031,420                    | 79,031,420                            | 51,234,032                   | 51,234,032                            |
| Financial bonds payable                           | -                             | -                                     | 2,000,000                    | 2,000,000                             |
| Other financial liabilities                       | 3,070                         | 3,070                                 | 9,538                        | 9,538                                 |
| <b>Total</b>                                      | <b>\$ 82,810,136</b>          | <b>82,810,136</b>                     | <b>54,580,141</b>            | <b>54,580,141</b>                     |
| <b>Net currency gap</b>                           | <b>\$(58,442,221)</b>         | <b>(58,442,221)</b>                   | <b>(46,547,467)</b>          | <b>(46,547,467)</b>                   |

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| <b>Financial instrument</b>                       | <b>December 31, 2010</b>     |                                       |                              |                                       |
|---|------------------------------|---------------------------------------|------------------------------|---------------------------------------|
|   | <b>Over 2 year to 3 year</b> |                                       | <b>Over 3 year to 4 year</b> |                                       |
|   | <b>Amount</b>                | <b>Possible<br/>Refund<br/>Amount</b> | <b>Amount</b>                | <b>Possible<br/>Refund<br/>Amount</b> |
| <b>Asset:</b>                                     |                              |                                       |                              |                                       |
| Cash and cash equivalents                         | \$ -                         | -                                     | -                            | -                                     |
| Due from the Central Bank and call loans to banks | -                            | -                                     | -                            | -                                     |
| Financial assets held for trading                 | 6,222,718                    | 6,222,718                             | 4,473,149                    | 4,473,149                             |
| Receivables (excluding allowance for bad debts)   | 29,083                       | 29,083                                | 29,083                       | 29,083                                |
| Available-for-sale financial assets               | -                            | -                                     | 549,493                      | 549,493                               |
| Securities purchased under resell agreements      | -                            | -                                     | -                            | -                                     |
| Loans (excluding allowance for credit losses)     | 10,011,057                   | 10,011,057                            | 1,668,409                    | 1,668,409                             |
| Held-to-maturity financial assets                 | -                            | -                                     | -                            | -                                     |
| Other financial assets                            | 7,746                        | 7,746                                 | 5,374                        | 5,374                                 |
| <b>Total</b>                                      | <b>\$ 16,270,604</b>         | <b>16,270,604</b>                     | <b>6,725,508</b>             | <b>6,725,508</b>                      |
| <b>Liabilities:</b>                               |                              |                                       |                              |                                       |
| Deposits from the Central Bank and other banks    | \$ -                         | -                                     | -                            | -                                     |
| Financial liabilities held for trading            | -                            | -                                     | -                            | -                                     |
| Securities sold under repurchase agreements       | -                            | -                                     | -                            | -                                     |
| Payables  | -                            | -                                     | -                            | -                                     |
| Deposits and remittances                          | 38,877                       | 38,877                                | -                            | -                                     |
| Financial bonds payable                           | 500,000                      | 500,000                               | -                            | -                                     |
| Other financial liabilities                       | 11,600                       | 11,600                                | 11,600                       | 11,600                                |
| <b>Total</b>                                      | <b>\$ 550,477</b>            | <b>550,477</b>                        | <b>11,600</b>                | <b>11,600</b>                         |
| <b>Net currency gap</b>                           | <b>\$ 15,720,127</b>         | <b>15,720,127</b>                     | <b>6,713,908</b>             | <b>6,713,908</b>                      |

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| Financial instrument                              | December 31, 2010     |                        |                   |                        |
|---|-----------------------|------------------------|-------------------|------------------------|
|   | Over 4 year to 5 year |                        | Over 5 year       |                        |
|   | Amount                | Possible Refund Amount | Amount            | Possible Refund Amount |
| Asset:  |                       |                        |                   |                        |
| Cash and cash equivalents                         | \$ -                  | -                      | -                 | -                      |
| Due from the Central Bank and call loans to banks | -                     | -                      | -                 | -                      |
| Financial assets held for trading                 | 9,070,007             | 9,070,007              | 2,678,623         | 2,678,623              |
| Receivables (excluding allowance for bad debts)   | 29,083                | 29,083                 | -                 | -                      |
| Available-for-sale financial assets               | -                     | -                      | 1,388,675         | 1,388,675              |
| Securities purchased under resell agreements      | -                     | -                      | -                 | -                      |
| Loans (excluding allowance for credit losses)     | 4,365,293             | 4,365,293              | 72,083,358        | 72,083,358             |
| Held-to-maturity financial assets                 | 300,000               | 300,000                | -                 | -                      |
| Other financial assets                            | 6,963                 | 6,963                  | 647,632           | 647,632                |
| <b>Total</b>                                      | <b>\$ 13,771,346</b>  | <b>13,771,346</b>      | <b>76,798,288</b> | <b>76,798,288</b>      |
| Liabilities:                                      |                       |                        |                   |                        |
| Deposits from the Central Bank and other banks    | \$ -                  | -                      | -                 | -                      |
| Financial liabilities held for trading            | -                     | -                      | -                 | -                      |
| Securities sold under repurchase agreements       | -                     | -                      | -                 | -                      |
| Payables  | -                     | -                      | -                 | -                      |
| Deposits and remittances                          | -                     | -                      | -                 | -                      |
| Financial bonds payable                           | -                     | -                      | -                 | -                      |
| Other financial liabilities                       | 10,800                | 10,800                 | 10,290            | 10,290                 |
| <b>Total</b>                                      | <b>\$ 10,800</b>      | <b>10,800</b>          | <b>10,290</b>     | <b>10,290</b>          |
| <b>Net currency gap</b>                           | <b>\$ 13,760,546</b>  | <b>13,760,546</b>      | <b>76,787,998</b> | <b>76,787,998</b>      |



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| <b>Financial instrument</b>                          | <b>December 31, 2010</b> |                                   |
|--|--------------------------|-----------------------------------|
|  | <b>Total</b>             |                                   |
|  | <b>Amount</b>            | <b>Possible Refund<br/>Amount</b> |
| Asset:   |                          |                                   |
| Cash and cash equivalents                            | \$ 2,334,484             | 2,334,484                         |
| Due from the Central Bank and call<br>loans to banks | 35,460,920               | 35,460,920                        |
| Financial assets held for trading                    | 23,787,876               | 23,787,876                        |
| Receivables (excluding allowance<br>for bad debts)   | 5,547,583                | 5,547,583                         |
| Available-for-sale financial assets                  | 2,102,179                | 2,102,179                         |
| Securities purchased under resell<br>agreements      | 453,095                  | 453,095                           |
| Loans (excluding allowance for credit losses)        | 129,906,841              | 129,906,841                       |
| Held-to-maturity financial assets                    | 300,000                  | 300,000                           |
| Other financial assets                               | 1,163,674                | 1,163,674                         |
| <b>Total</b>   | <b>\$ 201,056,652</b>    | <b>201,056,652</b>                |
| Liabilities:   |                          |                                   |
| Deposits from the Central Bank and other<br>banks    | \$ 6,967,852             | 6,967,852                         |
| Financial liabilities held for trading               | 256,778                  | 256,778                           |
| Securities sold under repurchase<br>agreements       | 384,973                  | 384,973                           |
| Payables   | 2,299,169                | 2,299,169                         |
| Deposits and remittances                             | 179,727,517              | 179,727,517                       |
| Financial bonds payable                              | 2,500,000                | 2,500,000                         |
| Other financial liabilities                          | 109,828                  | 109,828                           |
| <b>Total</b>   | <b>\$ 192,246,117</b>    | <b>192,246,117</b>                |
| Net currency gap                                     | <b>\$ 8,810,535</b>      | <b>8,810,535</b>                  |

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D. Cash flow risk and fair value risk arising from interest rate fluctuation:

In considering the possibility of future cash flow risk arising from floating-interest-rate assets and liabilities due to market interest rate fluctuation, the Company's subsidiary Jih Sun International Commercial Bank Co., Ltd. entered into interest rate swap transactions to hedge against the cash flow risk arising from market interest rate fluctuation.

(a) Information on expected interest rate reset date and maturity date:

As of December 31, 2011 and 2010, the reset and maturity dates were not affected by the contract date. The interest rate risk exposures on assets and liabilities were shown below. The financial assets and liabilities which held on the Company's subsidiary Jih Sun International Commercial Bank Co., Ltd. were presented at book value allocated to time bands by reference to the earlier date of the interest rate reset date or maturity date (whichever earlier). The financial instruments held or issued were as follows:

| Financial instrument  | December 31, 2011     |                   |                  |                     |                   | Total              |
|---|-----------------------|-------------------|------------------|---------------------|-------------------|--------------------|
|   | 0-30 days             | 31-90 days        | 91-180 days      | 181 days-1 year     | Over 1 year       |                    |
| Assets:   |                       |                   |                  |                     |                   |                    |
| Due from the Central Bank, bank deposit and call loans to banks | \$ 16,152,008         | 4,650,000         | 2,750,000        | 800,000             | -                 | 24,352,008         |
| Financial assets held for trading                               | 1,404,339             | 132,168           | -                | 454,284             | 15,117,680        | 17,108,471         |
| Securities purchased under resell agreements                    | 1,289,263             | -                 | -                | -                   | -                 | 1,289,263          |
| Available-for-sale financial assets                             | -                     | -                 | -                | -                   | 14,763,931        | 14,763,931         |
| Held-to-maturity financial assets                               | -                     | -                 | -                | -                   | 300,000           | 300,000            |
| Loans (excluding non-accrual loans)                             | 110,563,078           | 6,940,461         | 2,870,924        | 2,295,563           | 10,815,771        | 133,485,797        |
| Short-term advances   | 418,293               | -                 | -                | -                   | -                 | 418,293            |
| <b>Total</b>  | <b>\$ 129,826,981</b> | <b>11,722,629</b> | <b>5,620,924</b> | <b>3,549,847</b>    | <b>40,997,382</b> | <b>191,717,763</b> |
| Liabilities:  |                       |                   |                  |                     |                   |                    |
| Deposits from the Central Bank and other banks                  | \$ 10,245,468         | -                 | -                | 209,000             | -                 | 10,454,468         |
| Securities sold under repurchase agreements                     | 5,548,743             | -                 | -                | -                   | -                 | 5,548,743          |
| Deposits and remittances  | 122,451,516           | 8,345,690         | 5,970,664        | 29,530,124          | 1,146,358         | 167,444,352        |
| Financial bonds payable   | -                     | -                 | -                | 2,000,000           | 500,000           | 2,500,000          |
| Other financial liabilities                                     | 232,410               | -                 | -                | -                   | -                 | 232,410            |
| <b>Total</b>  | <b>\$ 138,478,137</b> | <b>8,345,690</b>  | <b>5,970,664</b> | <b>31,739,124</b>   | <b>1,646,358</b>  | <b>186,179,973</b> |
| Interest sensitive gap  | <b>\$ (8,651,156)</b> | <b>3,376,939</b>  | <b>(349,740)</b> | <b>(28,189,277)</b> | <b>39,351,024</b> | <b>5,537,790</b>   |

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| December 31, 2010   |                        |                   |                  |                     |                   |                    |
|---|------------------------|-------------------|------------------|---------------------|-------------------|--------------------|
| Financial instrument  | 0-30 days              | 31-90 days        | 91-180 days      | 181 days-1 year     | Over 1 year       | Total              |
| Assets:   |                        |                   |                  |                     |                   |                    |
| Due from the Central Bank, bank deposit and call loans to banks | \$ 27,914,733          | 3,600,000         | 2,300,000        | -                   | -                 | 33,814,733         |
| Financial assets held for trading                               | 448,368                | 17,235            | -                | 694,871             | 21,883,707        | 23,044,181         |
| Securities purchased under resell agreements                    | 453,095                | -                 | -                | -                   | -                 | 453,095            |
| Available-for-sale financial assets                             | -                      | -                 | -                | -                   | 2,098,009         | 2,098,009          |
| Held-to-maturity financial assets                               | -                      | -                 | -                | -                   | 300,000           | 300,000            |
| Loans (excluding non-accrual loans)                             | 110,145,055            | 6,470,933         | 3,336,730        | 2,517,425           | 5,719,265         | 128,189,408        |
| Short-term advances   | 499,011                | -                 | -                | -                   | -                 | 499,011            |
| Total   | <u>\$ 139,460,262</u>  | <u>10,088,168</u> | <u>5,636,730</u> | <u>3,212,296</u>    | <u>30,000,981</u> | <u>188,398,437</u> |
| Liabilities:  |                        |                   |                  |                     |                   |                    |
| Deposits from the Central Bank and other banks                  | \$ 6,953,477           | -                 | -                | -                   | -                 | 6,953,477          |
| Securities sold under repurchase agreements                     | 384,973                | -                 | -                | -                   | -                 | 384,973            |
| Deposits and remittances  | 150,991,056            | 7,726,455         | 5,031,499        | 14,159,580          | 1,082,445         | 178,991,035        |
| Financial bonds payable   | -                      | -                 | -                | -                   | 2,500,000         | 2,500,000          |
| Other financial liabilities                                     | 52,930                 | -                 | -                | -                   | -                 | 52,930             |
| Total   | <u>\$ 158,382,436</u>  | <u>7,726,455</u>  | <u>5,031,499</u> | <u>14,159,580</u>   | <u>3,582,445</u>  | <u>188,882,415</u> |
| Interest sensitive gap  | <u>\$ (18,922,174)</u> | <u>2,361,713</u>  | <u>605,231</u>   | <u>(10,947,284)</u> | <u>26,418,536</u> | <u>(483,978)</u>   |

The assumption and the other details of the above expected interest rate reset date or maturity date were as follows:

(b) Effective interest rates (excluding financial assets held for trading)

As of December 31, 2011 and 2010, the effective interest rate of financial instruments held and issued by the Company's subsidiary Jih Sun International Commercial Bank Co., Ltd. were as follows:

| Financial instrument item                                       | December 31, |      |
|---|--------------|------|
|   | 2011         | 2010 |
| Due from the Central Bank, bank deposit and call loans to banks | 0.82         | 0.62 |
| Securities purchased under resell agreements                    | 0.72         | 0.33 |
| Available-for-sale financial assets                             | 1.74         | 1.35 |
| Held-to-maturity financial assets                               | 2.06         | 1.82 |
| Discounts and Loans   | 2.18         | 2.08 |
| Deposits from the Central Bank and banks                        | 0.83         | 0.68 |
| Securities sold under repurchase agreements                     | 0.66         | 0.33 |
| Financial bonds payable   | 2.94         | 3.29 |
| Deposits and remittances  | 0.71         | 0.56 |

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E. Operational risk (including law risk):

The direct risk was caused by the internal business, transaction and use of information interactively. The activities that the financial holding parent company and its subsidiaries undertook will lead the internal issues, such as inappropriate system, personnel negligence, inappropriate supervision and system malfunction, etc; or the indirect risk was caused by the external issues, such as deception, dispute about customers and products and business litigation. Hence, the Bank shall regularly or irregularly survey the internal operative handbook, operating procedures, information system of security protection and the plan of dealing with emergency. Each process point to revise the system and fix all potential loss determines the duty of each employee clearly. While an event occurs, the quality and the related losses of impact shall be recorded properly, and the operative units have to be fully responsible for the information of collection, analysis and conclusion, and establishment of management index in order to decrease the repeated risk.

**5. RELATED-PARTY TRANSACTIONS**

(A) Names of related parties and relationship with the Company

| <u>Name of related party</u>                  | <u>Relationship with the Company</u>   |
|---|--|
| Jih Sun Securities Investment Trust Co., Ltd. | The investee company under the equity method of the Company's subsidiary Jih Sun Securities Co., Ltd.  |
| Other related parties                         | The Company and its subsidiaries Jih Sun Securities Co., Ltd. and Jih Sun International Commercial Bank Co., Ltd.'s directors, general managers, relatives and spouses of the aforementioned persons and chief offices for each department (branches). |

(B) Material transactions with related parties:

a. Deposits

| <u>Name of Related Party</u>                  | <u>Ending Balance</u> | <u>Maximum Balance</u> | <u>Interest Revenue</u> | <u>Interest Interval %</u> |
|---|-----------------------|------------------------|-------------------------|----------------------------|
| <b>2011</b>                                   |                       |                        |                         |                            |
| Jih Sun Securities Investment Trust Co., Ltd. | \$ 40,733             | 103,957                | 752                     | 0%~2.73%                   |
| Others  | 448,868               | 730,682                | 1,247                   | 0%~4.75%                   |
|   | <u>\$ 489,601</u>     |                        | <u>1,999</u>            |                            |

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| <b>Name of Related Party</b>                     | <b>Ending Balance</b> | <b>Maximum Balance</b> | <b>Interest Revenue</b> | <b>Interest Interval %</b> |
|--|-----------------------|------------------------|-------------------------|----------------------------|
| <b>2010</b>                                      |                       |                        |                         |                            |
| Jih Sun Securities Investment \$ Trust Co., Ltd. | 64,869                | 206,907                | 788                     | 0%~2.73%                   |
| Others   | 406,213               | 595,619                | 1,098                   | 0%~4.75%                   |
|  | <b>\$ 471,082</b>     |                        | <b>1,886</b>            |                            |

The above interest rates on deposits are substantially the same as for comparable transactions with non-related parties.

b. Loan

The interested parties of the Jih Sun International Commercial Bank Co., Ltd. were borrowers, guarantors or suppliers of guarantee:

| <b>December 31, 2011</b>     |                                     |                       |                       |                     |                      |                   |   |
|------------------------------|-------------------------------------|-----------------------|-----------------------|---------------------|----------------------|-------------------|---|
| <b>Classification</b>        | <b>Number or Related Party Name</b> | <b>Maxium balance</b> | <b>Ending balance</b> | <b>Agreement</b>    |                      | <b>Collateral</b> | <b>Terms of trade different or not with non-related party</b> |
|                              |                                     |                       |                       | <b>Normal loans</b> | <b>Overdue loans</b> |                   |   |
| Employee consumption loan    | 1                                   | 2,548                 | 2,281                 | 2,281               | -                    | Deposit           | none  |
| Personal house mortgaed loan | 28                                  | 157,237               | 137,116               | 137,116             | -                    | Real estate       | none  |
| Other loans                  | 3                                   | 798                   | 798                   | 798                 | -                    | Real estate       | none  |

| <b>December 31, 2010</b>     |                                     |                       |                       |                     |                      |                   |   |
|------------------------------|-------------------------------------|-----------------------|-----------------------|---------------------|----------------------|-------------------|---|
| <b>Classification</b>        | <b>Number or Related Party Name</b> | <b>Maxium balance</b> | <b>Ending balance</b> | <b>Agreement</b>    |                      | <b>Collateral</b> | <b>Terms of trade different or not with non-related party</b> |
|                              |                                     |                       |                       | <b>Normal loans</b> | <b>Overdue loans</b> |                   |   |
| Employee consumption loan    | 2                                   | 2,514                 | 2,015                 | 2,015               | -                    | Deposit           | none  |
| Personal house mortgaed loan | 25                                  | 146,861               | 123,570               | 123,570             | -                    | Real estate       | none  |

As of December 31, 2011 and 2010, there were no overdue loans from the related parties. Allowance for bad debts is estimated in accordance with the accounting policy of the Bank. In relation to the related-party credit policy, the Bank follows the requirements under Articles 32, 33, 33-1, 33-2, 33-4, 33-5 of the Banking Act, and does not provide credit loans without collaterals. For collateralized loans, the collaterals shall consists of full guarantees, and the terms (including interest rate, collateral and its related appraisal, guarantor requirement, loan term, repayment method of principal and interest, etc.) must not be superior to the other parties for similar types of loan. Financing provided to the same related party, which individually or cumulatively amounts to \$100,000 or 1% of the Bank's net worth, whichever is lower, must be presented to the Board of Directors and Supervisors for deliberation. Moreover, the meeting must be attended by more than two-thirds of the directors and approved by more than three-fourths of the directors in attendance. The terms and conditions of loans to related parties are not superior to those given to non-related parties.

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- c. The bond transactions with repurchase/resale agreements with related parties in 2011 and 2010 were as follows:

Bonds sold under repurchase agreements:

| <u>Name of related party</u>                  | <b>For the years ended December 31,</b> |                       |                         |                       |
|---|---|-----------------------|-------------------------|-----------------------|
|   | <b>2011</b>                             |                       | <b>2010</b>             |                       |
|   | <b>Interest expense</b>                 | <b>Ending balance</b> | <b>Interest expense</b> | <b>Ending balance</b> |
| Jih Sun Securities Investment Trust Co., Ltd. | \$ 8                                    | -                     | 16                      | -                     |

The above trading terms of bond under repurchase agreements with related parties are the same as those with non-related parties.

- d. The accounts receivable with related parties were as follows:

| <u>Name of Related Party</u>                  | <b>December 31,</b> |          |               |          |
|---|---------------------|----------|---------------|----------|
|   | <b>2011</b>         |          | <b>2010</b>   |          |
|   | <b>Amount</b>       | <b>%</b> | <b>Amount</b> | <b>%</b> |
| Accounts Receivable                           |                     |          |               |          |
| Jih Sun Securities Investment Trust Co., Ltd. | \$ 3                | -        | 20            | -        |
| Other Receivables                             |                     |          |               |          |
| Jih Sun Securities Investment Trust Co., Ltd. | \$ -                | -        | 15            | -        |

- e. Lease

- (1) The rentals of offices and the amounts paid to related parties were as follows:

| <u>Name of related party</u>                  | <b>For the years ended December 31,</b> |             |
|---|---|-------------|
|   | <b>2011</b>                             | <b>2010</b> |
| Jih Sun Securities Investment Trust Co., Ltd. | \$ -                                    | 3,696       |

- (2) The guarantee deposit of offices and the amounts paid to related parties were as follows: (guarantee deposit paid)

| <u>Name of related party</u>                  | <b>For the years ended December 31,</b> |             |
|---|---|-------------|
|   | <b>2011</b>                             | <b>2010</b> |
| Jih Sun Securities Investment Trust Co., Ltd. | \$ -                                    | 924         |

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(3) The rentals of offices received from related parties were as follows:

| <u>Name of related party</u>                     | <u>For the years ended December 31,</u> |             |
|--|---|-------------|
|  | <u>2011</u>                             | <u>2010</u> |
| Jih Sun Securities Investment Trust<br>Co., Ltd. | \$ -                                    | 29          |

f. The income which the Company's subsidiary, Jih Sun Securities Co., Ltd received from Jih Sun Securities Investment Trust Co., Ltd. were as follows:

|  | <u>For the years ended December 31,</u> |              |
|--|---|--------------|
|  | <u>2011</u>                             | <u>2010</u>  |
| Securities registration and service fee                                      | \$ 57                                   | 120          |
| Revenue from utilities expense allocated<br>(custody of receipt and payment) | -                                       | 372          |
| Income from selling fund rewards   | 2,648                                   | 6,804        |
| Total  | <u>\$ 2,705</u>                         | <u>7,296</u> |

g. For the years ended December 31, 2011 and 2010, the bonuses for the Company's subsidiary, Jih Sun International Commercial Bank Co., Ltd. to sell funds of Jih Sun Securities Investment Trust Co., Ltd. were amounting to \$1,744 and \$2,698, respectively.

(C) Salary information for main management

For the years ended December 31, 2011 and 2010, the Company's salary information for directors, supervisors, general managers and vice general managers were as follows:

|                              | <u>2011</u>      | <u>2010</u>   |
|------------------------------|------------------|---------------|
| Salaries                     | \$ 26,998        | 22,900        |
| Bonus and special allowances | 3,259            | 2,247         |
| Business executive expenses  | 960              | 960           |
| Employee bonuses             | 32               | 57            |
| Total                        | <u>\$ 31,249</u> | <u>26,164</u> |

For the years ended December 31, 2011 and 2010, the Company's and its subsidiaries' salary information for directors, supervisors, general managers and vice general managers were as follows:

|                              | <u>2011</u>       | <u>2010</u>    |
|------------------------------|-------------------|----------------|
| Salaries                     | \$ 118,537        | 77,043         |
| Bonus and special allowances | 43,763            | 36,450         |
| Business executive expenses  | 5,846             | 3,470          |
| Employee bonuses             | 118               | 59             |
| Total                        | <u>\$ 168,264</u> | <u>117,022</u> |

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**6. PLEDGED ASSETS**

| <b>Pledged assets</b>  | <b>Objects</b>  | <b>December 31,</b> |                  |
|--|---|---------------------|------------------|
|  |   | <b>2011</b>         | <b>2010</b>      |
| Financial assets measured at fair value through profit or loss   | Deposited court guarantee, Guarantee of bills dealer, Trust fund reserve for compensation, Tax collection deposited in Central Bank, and Deposits for National Credit Card Center | \$ 366,600          | 198,400          |
| Available-for-Sale financial assets  | Call loans from other banks guarantee and Deposits for National Credit Card Center  | 2,000,000           | 120,400          |
| Fixed assets – land  | Bank loan guarantee   | 1,208,720           | 1,208,720        |
| – building (book value)  | "   | 343,588             | 354,536          |
| Other financial assets (restricted assets, financial assets carried at cost, and guarantee deposit paid) | Bank loan guarantee, Court guarantee, and Commercial papers issued  | 1,127,616           | 1,158,169        |
| <b>Total</b>   |   | <b>\$ 5,046,524</b> | <b>3,040,225</b> |

As of December 31, 2011, the Company had pledged Jih Sun Securities Co., Ltd's shares amounted to 387,500 thousand shares (book value amounted to \$6,760,808) for the pledge of loans from the financial institutions and issuance of issuing commercial paper.

**7. SIGNIFICANT COMMITMENTS AND CONTINGENCIES**

(A) Significant contract

An advisory company had informed and requested the Company to pay for the consultancy fees in 2009. In accordance with the Company's internal evaluations and the opinions from the appointed lawyer, the Company could use three reasons to defense its position. One reason was that the consultancy agreement did not complete the legal procedure within the Company, another one was that the case of capital increase did not include in the range of the consultancy agreement, and the other one was that the case did not conform with the pattern of the agreement. Therefore, the Company thought that it was not necessary to estimate and pay for the requested amount.

For the year ended December 31, 2011, total contracts' price of the Company and its subsidiaries had committed to pay for equipment purchase and office renovations were approximately amounted to \$117,585, and as of December 31, 2011, the remaining amount \$55,463 which is not due is paying in progress continuously.



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(B) Significant lawsuit

- a. In March, 1995, the Company's subsidiary, Jih Sun Securities Co., Ltd. acted as the co-underwriter for Jeng-Yih Company's application for government approval to trade over the counter. Subsequently, Jeng-Yih Company stopped trading over the counter because of significant amount of notes unpaid. Therefore, the investors had sued the directors and supervisors, the independent auditors, and the underwriters of Jeng-Yih Company for total amount of \$71,017. On November 30, 2006 the Primary Court decided the securities dealers only had to compensate the subscribed party who is in good faith. Moreover, Jih Sun Securities Co., Ltd. had already compromised with the majority of the investors and paid off, except for one investor. For the remaining un-reconciled investor, the court judged Jih Sun Securities Co., Ltd. only had to pay for \$24. On December 22, 2006, the un-reconciled investor and the others whose the securities were not underwritten by Jih Sun Securities Co., Ltd. could not accept the judgment from the Primary Court. The Primary Court has sided with Jih Sun Securities Co., Ltd. that it is not liable, investors whose securities were not underwritten by Jih Sun Securities Co., Ltd. could not accept the judgment and had appealed to Supreme Court. During the hearing period of Supreme Court, Jih Sun Securities Co., Ltd. had reconciled with the investor who had been judged by the Primary Court to receive \$24 and the investor had revoked the case. Jih Sun Securities Co., Ltd. considered no responsibility for any additional compensation liability, therefore, no accrual needs to be recorded, except for the above-mentioned reconciliation amounts.
- b. As of December 31, 2011 and 2010, the Company's subsidiary, Jih Sun Securities Co., Ltd. had applied to the court for provisional seizure in connection with protection of its rights related to collateral on defaulted securities transactions. Therefore, Jih Sun Securities Co., Ltd. made guarantee deposits of \$700 (recorded as guarantee deposit paid) and seized the debtor's assets.
- c. Three customers of the Tai-Chung Branch of Jih Sun Securities Co., Ltd. alleged that a former employee at the Tai-Chung Branch had sold their stock without their permission, and stolen their bank savings. Therefore, the client requested Jih Sun Securities Co., Ltd. to be responsible jointly and claimed for \$82,431 with interest (the amount decreased to \$72,899 in the lawsuit). As of December 31, 2009, Taichung District Court had judged that the Company and the former employee were jointly liable for the three plaintiffs amounted to \$33,968 with statutory interest of 5% from October 21, 2003. During the lawsuit, Jih Sun Securities Co., Ltd. already reconciled with one of the customers and the remaining part had been denied by Taiwan High Court Tai-chung Branch on August 9, 2011, and Jih Sun Securities Co., Ltd. had appealed to Supreme Court on September 1, 2011. The principal and accumulated interest till December 2011 for other two customers amounted \$30,329 were already accrued.
- d. The customer of Xin-Yi branch of the Company's subsidiary, Jih Sun Securities Co., Ltd. alleged that he had suffered losses because of an employee did not follow the instruction to buy or sell stocks in August, 2007. Therefore, the client requested Jih Sun Securities Co., Ltd. to pay \$13,732 to compensate his losses. The Primary Court disallowed the plaintiff's assertion because the claim was considered to be unreasonable, and the plaintiff did not accept the judgment and appeal to Taiwan High Court. The Court dismissed the appeal on June 1, 2010, and the customer appealed to Supreme Court. The Supreme Court denied the appeal and affirmed conviction on May 5, 2011. There is no additional compensation liability and no accrual shall be booked of the Company's subsidiary, Jih Sun Securities Co., Ltd.

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- e. In July, 2010, the customer of Hsinchu Scientific Park Branch of the Company's subsidiary, Jih Sun Securities Co., Ltd. alleged that he had suffered losses because an employee manipulated his stocks and fund illegally and requested Jih Sun Securities Co., Ltd. to be responsible jointly and claimed for \$4,945. The Primary Court dismissed the appeal, and the customer refused to accept the judgment and appealed to Taiwan High Court. Taiwan High Court had also dismissed the appeal. The customer did not file an appeal during the appealing period to Supreme Court, the case went in favor with Jih Sun Securities Co., Ltd. There is no additional compensation liability and no accrual shall be booked.
- f. In July, 2011, the customer of Yong-Kang branch of the Company's subsidiary, Jih Sun Securities Co., Ltd. alleged that he had suffered losses because an employee manipulated his stocks and futures illegally and requested Jih Sun Securities Co., Ltd. to be responsible jointly and claimed for \$13,000. The customer appealed the case and the case is proceeding in the Taiwan Tainan District Court. Jih Sun Securities Co., Ltd. had determined the case to be a private dispute resulted from authorization between the customer and the operating manager. Thus, there is no additional compensation liability resides to Jih Sun Securities Co., Ltd. and no accrual shall be booked.
- g. Due to the fact that the Company's subsidiary, Jih Sun International Commercial Bank Co., Ltd. was acting as the guarantor of Tan-Tai Construction Company, Taipei City Hydraulic Engineering Office issued a claim against Jih Sun International Commercial Bank Co., Ltd.. As of January 21, 2008, Jih Sun International Commercial Bank Co., Ltd. is sentenced to pay for Tan-Tai Construction Company \$30,637, in accordance with Taipei District Court. Jih Sun International Commercial Bank Co., Ltd. did not agree with the sentence and decided to appeal the case to Taiwan High Court through the attorney. Moreover, in accordance with the Taiwan High Court (97) Chong-Shang-Zi No. 121, Jih Sun International Commercial Bank Co., Ltd. had no responsibilities to pay for the guarantees. However, Taipei City Hydraulic Engineering Office did not agree with the judgment and decided to appeal the case to the Supreme Court of the Republic of China. The Supreme Court has judged that Jih Sun International Commercial Bank Co., Ltd. is liable for the amount of \$32,036 and the amount had already been accrued. Jih Sun International Commercial Bank Co., Ltd. was not satisfied with the judgment and decided to appeal the case to Supreme Court. As of February 22, 2011, in accordance with the Taiwan Supreme Court (100) Tai-Shng-Zi No. 199, had repealed the judgment of Taiwan High Court (98) Chong-Shang-Geng(1) – Zi No. 161 in considering Jih Sun International Commercial Bank Co., Ltd. had reasons to appeal. Moreover, as of October 12, 2011, the High Court had sided with Jih Sun International Commercial Bank Co., Ltd. that it had no responsibilities to pay for the guarantees. However, Taipei City Hydraulic Engineering Office did not agree with the High Court judgment and decided to appeal the case to the Taiwan Supreme Court.

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- h. For the Company's subsidiary, Jih Sun International Commercial Bank Co., Ltd. was accused that the non-litigant Mr. Yang forged signature on the withdrawal slip of the Bank's customer, Mr. Lai, and Mr. Lai has demanded Jih Sun International Commercial Bank Co., Ltd. to be liable for the damage and to discharge the obligation. As of April 14, 2010, the Court has considered all fact relevant and believed that Jih Sun International Commercial Bank Co., Ltd. has not exercised the due care of a good administrator for signature verification. Jih Sun International Commercial Bank Co., Ltd. is sentenced to pay for the damage of \$2,272 and interest incurred, and the amount had already been accrued. However, Jih Sun International Commercial Bank Co., Ltd. did not agree with the aforesaid judgment and decided to appeal the case to the Taiwan High Court. As of September 19, 2011, the Taiwan Supreme Court denied the appeal and affirmed conviction. Jih Sun International Commercial Bank Co., Ltd. was sentenced to pay for the damage of \$2,272 and interest incurred, and the amount had already been paid in October, 2011.
- i. Standard International Co., Ltd, the trust beneficial transferee indicted the Company's subsidiary, Jih Sun International Commercial Bank Co., Ltd., in August 2010, claiming that although Jih Sun International Commercial Bank Co., Ltd. signed the trust contract before transference took place, Jih Sun International Commercial Bank Co., Ltd. had not followed the arrangement in the real estate trust contract, in which Jih Sun International Commercial Bank Co., Ltd. had not paid the construction fee on time based on the work progress. The contract stated that Jih Sun International Commercial Bank Co., Ltd. is responsible for managing, operating, disposing and income generation of the trust assets. Hence, Jih Sun International Commercial Bank Co., Ltd. is asked to pay for the damage of \$9,370 and the interest incurred of \$13,441. As of December 23, 2011, in accordance with the Taipei District Court (99) Chong-Su-Zi No.1206, Jih Sun International Commercial Bank Co., Ltd. should not be liable for the damage.
- j. Miss Lin (the plaintiff) purchased the land located in Shui Xian Section, Danshui Town, Taipei County (Now known as Danshui District, New Taipei City) from the Company's subsidiary, Jih Sun International Commercial Bank Co., Ltd. After the land has been valuated and delivered, the plaintiff claimed the land was occupied by the third party and demanded Jih Sun International Commercial Bank Co., Ltd. to return the land price of \$24,500, and to pay an extra penalty of \$24,500 and 5 percent annual interest rate. As of January 31, 2011, the Taipei District Court had judged Jih Sun International Commercial Bank Co., Ltd. to be liable for the amount of \$500. Another \$24,500 and 5 percent annual interest rate is payable after the ownership of the land is transferred to Jih Sun International Commercial Bank Co., Ltd. The amount had been accrued; however, Jih Sun International Commercial Bank Co., Ltd. did not agree with the aforesaid judgment and had appealed the case to the Taiwan High Court.
- k. Big Beam Construction Co., Ltd. (Big Beam Construction) contracted with Long-Men construction division within the Thermal and Nuclear Power Engineering division of Taiwan Power Company to undertake Long-Men project (Nuclear No.4), which involved circulation water pump building No.1 and No.2, electrolytic chlorination building, cooling-water pumper in reactor building (the Project). The Company's subsidiary, Jih Sun International Commercial Bank Co., Ltd. and Citibank Taiwan Ltd. offered joint and several guarantee of performance bond in the amount of \$10,000 and \$50,000,

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respectively, for Big Beam Construction to perform the obligation to pay the performance bond. As of February 10, 2011, the Long-Men construction division claimed that Big Beam Construction should pay the default fine amounted to \$96,000 for the 11 items involved in the Project and the whole project were overdue. Therefore, Taiwan Power Company filed an appeal to the Jih Sun International Commercial Bank Co., Ltd. for the payment of the performance bond in the amount of \$10,000 and interest at annual rate 5% incurred started from August 11, 2010 to the date of the payment. As of September 8, 2011, in accordance with Keelung District Court judgment, Jih Sun International Commercial Bank Co., Ltd. was sentenced to pay the performance bond in the amount of \$10,000 and the related interest to the plaintiff, and the amount had already been accrued. However, Jih Sun International Commercial Bank Co., Ltd. did not agree with the aforesaid judgment and had appealed the case to the Taiwan High Court.

(C) Significant Commitments and Contingencies of Jih Sun International Commercial Bank Co., Ltd.

|  | <b>December 31,</b>  |                   |
|--|----------------------|-------------------|
|  | <b>2011</b>          | <b>2010</b>       |
| Acted as an agent for various collections  | <b>\$ 414,631</b>    | <b>256,935</b>    |
| Entrusted with the sale of U.S dollar traveler's checks  | <b>\$ 39,095</b>     | <b>51,761</b>     |
| Handled several guarantees (including joint handling of foreign exchange transactions)             | <b>\$ 969,595</b>    | <b>1,563,999</b>  |
| Outstanding bank acceptance liabilities  | <b>\$ 378,654</b>    | <b>242,075</b>    |
| Letters of credit  | <b>\$ 579,226</b>    | <b>1,003,936</b>  |
| Acted as custodian of post-dated checks for its clients (excluding next day's checks for clearing) | <b>\$ 8,924,094</b>  | <b>10,452,592</b> |
| Direct credit guarantees consisting of general guaranteed bonds (corporate bonds)                  | <b>\$ 301,188</b>    | <b>322,014</b>    |
| Guarantee letters for financial guarantees of loans and securities                                 | <b>\$ 177,000</b>    | <b>410,000</b>    |
| Performance bonds  | <b>\$ 472,910</b>    | <b>729,458</b>    |
| Guarantee letters issued for specified transactions  | <b>\$ 491,407</b>    | <b>831,985</b>    |
| Loan commitment  | <b>\$ 20,790,092</b> | <b>12,393,192</b> |
| Credit extension commitment of credit cards  | <b>\$ 35,740,790</b> | <b>51,127,576</b> |

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(D) Significant Commitments and Contingencies of Jih Sun Securities Co., Ltd.

- a. As of December 31, 2011 and 2010, in connection with securities financing activities, the Company's subsidiary Jih Sun Securities Co., Ltd. held client-owned stocks which amounted to approximately 724,370,511 shares and 1,025,471,226 shares, respectively; stocks lent out to clients amounted to approximately 43,879,000 shares and 42,263,000 shares, respectively. The Company's subsidiary, Jih Sun Securities Co., Ltd. had received guarantee deposits in full from the clients for the lent securities.
- b. In 2011, the Company's subsidiary, Jih Sun Securities Co. Ltd. made a Letter of Comfort stated positive support to the operation of third level subsidiaries, Jih Sun Financial Services (Cayman) Ltd. and JS Cresvale Securities International Ltd. to the financial institution.
- c. As of December 31, 2011 and 2010, the Company had issued post-dated checks for future rental payments, which amounted to \$30,837 and \$40,259, respectively.

(E) Operating lease

The rent payable for lease of the Company's and its subsidiaries' operating site for the oncoming five years are as follows:

| <b>Period</b>         | <b>Amount</b>     |
|-----------------------|-------------------|
| 1.1.2012 ~ 12.31.2012 | \$ 266,068        |
| 1.1.2013 ~ 12.31.2013 | 198,899           |
| 1.1.2014 ~ 12.31.2014 | 144,473           |
| 1.1.2015 ~ 12.31.2015 | 89,385            |
| 1.1.2016 ~ 12.31.2016 | 33,601            |
| Total                 | <b>\$ 732,426</b> |

- (F) Except for aforementioned, other consolidated subsidiaries have no significant commitments and contingencies.

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(G) Pursuant to Articles No. 17 of the Enforcement Rules of the Trust Enterprise Act, the balance sheet and income statement of trust accounts were as follows:

**TRUST BALANCE SHEET**

| <b>Trust Assets</b>                     | <b>December 31, 2011</b> | <b>December 31, 2010</b> |
|---|--------------------------|--------------------------|
| Cash in Bank                            | \$ 1,212,881             | 358,768                  |
| Bonds                                   | 999,043                  | 2,565,314                |
| Stocks                                  | 1,252,638                | 2,196,613                |
| Funds                                   | 21,456,708               | 20,936,701               |
| Real Estate-net                         |                          |                          |
| Land                                    | 3,473,831                | 3,548,811                |
| House and building                      | 111,692                  | 141,469                  |
| Construction in progress                | 1,617,293                | 1,051,329                |
| Securities in custody                   | 759,559                  | 518,531                  |
| Other assets                            | -                        | 940                      |
| <b>Total Trust Assets</b>               | <b>\$ 30,883,645</b>     | <b>31,318,476</b>        |
|   |                          |                          |
| <b>Trust Liabilities</b>                | <b>December 31, 2011</b> | <b>December 31, 2010</b> |
| Other Liabilities                       | \$ -                     | 2,281                    |
| Unearned revenue                        | -                        | 20                       |
| Taxes payable                           | 40                       | -                        |
| Payable for securities in custody       | 759,559                  | 518,531                  |
| Trust Capital                           |                          |                          |
| Monetary trust                          | 23,526,084               | 23,767,011               |
| Securities trust                        | 1,118,733                | 2,074,213                |
| Real estate trust                       | 5,435,172                | 4,958,721                |
| Reserves and accumulated losses         |                          |                          |
| The principal adds up to the profit and | 35,052                   | (737,215)                |
| Net income (loss) for the period        | 9,005                    | 734,914                  |
| <b>Total Trust Liabilities</b>          | <b>\$ 30,883,645</b>     | <b>31,318,476</b>        |

The trust property list is displayed in the detail of assets above.

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**TRUST INCOME STATEMENTS**

| <b>Investment Item</b>     | <b>2011</b>     | <b>2010</b>    |
|----------------------------|-----------------|----------------|
| Trust revenues             |                 |                |
| Interest income            | \$ 2,349        | 888            |
| Rent income                | 25,808          | 18,537         |
| Cash dividends             | 520,672         | 594,345        |
| Gain on sale of properties | 532,235         | 991,444        |
| Other revenues             | 4               | -              |
| Trust expenses             |                 |                |
| Administration expenses    | 32,241          | 76,802         |
| Tax expenses               | 1,737           | 1,533          |
| Service fee expenses       | 2,449           | -              |
| Interest expenses          | 18              | 35             |
| Loss on sale of properties | 1,035,414       | 791,664        |
| Other expenses             | 7               | 8              |
| Income tax expenses        | 197             | 258            |
| Net income                 | <b>\$ 9,005</b> | <b>734,914</b> |

**8. SIGNIFICANT CATASTROPHIC LOSS: NONE**

**9. SIGNIFICANT SUBSEQUENT EVENTS: NONE**

**10. OTHERS**

(A) Personnel, depreciation, depletion and amortization expenses were as follows:

| <b>Function</b>                | <b>2011</b>               | <b>2010</b>               |
|--------------------------------|---------------------------|---------------------------|
| <b>Nature</b>                  | <b>Operating Expenses</b> | <b>Operating Expenses</b> |
| Personnel Expenses             |                           |                           |
| Salaries and Wages             | \$ 2,979,631              | 2,948,474                 |
| Insurance Expenses             | 214,305                   | 201,736                   |
| Pension Expenses               | 148,884                   | 142,419                   |
| Other Personnel Expenses       | 95,401                    | 90,534                    |
| Subtotal of Personnel Expenses | 3,438,221                 | 3,383,163                 |
| Depreciation Expenses          | 219,714                   | 260,252                   |
| Amortization Expenses          | 125,659                   | 345,158                   |

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(B) Business segment financial information:

| <b>For the year ended December 31, 2011</b>                |                |                   |               |              |
|--|----------------|-------------------|---------------|--------------|
| <b>Business Segment Items</b>                              | <b>Banking</b> | <b>Securities</b> | <b>Others</b> | <b>Total</b> |
| Net interest incomes (losses)                              | 2,360,297      | 1,026,453         | (87,583)      | 3,299,167    |
| Non-interest incomes                                       | 2,959,626      | 2,427,834         | 35,633        | 5,423,093    |
| Net Revenues (losses)                                      | 5,319,923      | 3,454,287         | (51,950)      | 8,722,260    |
| Bad debt expense   | 691,542        | 885               | -             | 692,427      |
| Operating Expenses   | 2,716,985      | 3,041,270         | 102,615       | 5,860,870    |
| Net income (loss) before tax<br>from continuing operations | 1,911,396      | 412,132           | (154,565)     | 2,168,963    |
| Income tax expense (benefit)                               | (265,806)      | 325,495           | (12,198)      | 47,491       |
| Net income (loss) after tax from<br>continuing operations  | 2,177,202      | 86,637            | (142,367)     | 2,121,472    |

| <b>For the year ended December 31, 2010</b>                |                |                   |               |              |
|--|----------------|-------------------|---------------|--------------|
| <b>Business Segment Items</b>                              | <b>Banking</b> | <b>Securities</b> | <b>Others</b> | <b>Total</b> |
| Net interest incomes (losses)                              | 2,301,827      | 1,061,266         | (84,807)      | 3,278,286    |
| Non-interest incomes (losses)                              | 1,925,439      | 4,225,778         | (8,916)       | 6,142,301    |
| Net Revenues (losses)                                      | 4,227,266      | 5,287,044         | (93,723)      | 9,420,587    |
| Bad debt expense   | 568,970        | -                 | -             | 568,970      |
| Operating Expenses   | 2,751,547      | 3,133,285         | 97,740        | 5,982,572    |
| Net income (loss) before tax<br>from continuing operations | 906,749        | 2,153,759         | (191,463)     | 2,869,045    |
| Income tax expense (benefit)                               | (345,382)      | 365,248           | 29,256        | 49,122       |
| Net income (loss) after tax from<br>continuing operations  | 1,252,131      | 1,788,511         | (220,719)     | 2,819,923    |



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(C) Jih Sun Financial Holding Co., Ltd.:

a. Condensed balance sheets:

| <b>Assets</b>                                     | <b>December 31, 2011</b> | <b>December 31, 2010</b> |
|---|--------------------------|--------------------------|
| Cash and cash equivalents                         | \$ 7,209                 | 12,666                   |
| Receivables – net                                 | 1,106,874                | 1,168,376                |
| Equity investments under equity method – net      | 36,446,633               | 34,050,673               |
| Fixed assets – net                                | 2,668                    | 1,281                    |
| Other assets – net                                | 1,067                    | 1,761                    |
| <b>Total Assets</b>                               | <b>\$ 37,564,451</b>     | <b>35,234,757</b>        |
| <br>  |                          |                          |
| <b>Liabilities and stockholders' equity</b>       |                          |                          |
| Short-term loans                                  | \$ 400,000               | 680,000                  |
| Commercial papers issued                          | 2,318,456                | 2,188,799                |
| Payables  | 2,292,645                | 2,029,847                |
| Bonds payable                                     | 2,000,000                | 2,000,000                |
| Accrued pension liabilities                       | 14,805                   | 14,466                   |
| Other liabilities                                 | 1,184                    | 735                      |
| <b>Total Liabilities</b>                          | <b>7,027,090</b>         | <b>6,913,847</b>         |
| Capital   |                          |                          |
| Common stock                                      | 25,530,155               | 23,518,557               |
| Preferred stock                                   | 2,218,469                | 2,297,543                |
| Legal reserve                                     | 281,742                  | -                        |
| Special reserve                                   | 641,677                  | -                        |
| Unappropriated earnings                           | 2,118,638                | 2,817,422                |
| Other adjustments to stockholders' equity         |                          |                          |
| Cumulative translation adjustments                | (219,537)                | (277,673)                |
| Net losses not recognized as pension cost         | (85,069)                 | (43,238)                 |
| Unrealized gains on financial instruments         | 51,286                   | 8,299                    |
| <b>Total stockholders' equity</b>                 | <b>30,537,361</b>        | <b>28,320,910</b>        |
| <b>Total liabilities and stockholders' equity</b> | <b>\$ 37,564,451</b>     | <b>35,234,757</b>        |

**(English Translation of Financial Report Originally Issued in Chinese)**  
**JIH SUN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

b. Condensed statements of income:

|   | <b>2011</b>         | <b>2010</b>      |
|---|---------------------|------------------|
| Revenues  |                     |                  |
| Income from equity investments under the equity method        | \$ 2,276,396        | 3,049,845        |
| Other revenues  | 37,918              | 5,590            |
| Total   | <u>2,314,314</u>    | <u>3,055,435</u> |
| Expenses and losses   |                     |                  |
| Operating expenses  | 110,682             | 107,527          |
| Interest expenses   | 89,050              | 84,812           |
| Other expenses and losses                                     | 8,142               | 16,538           |
| Total   | <u>207,874</u>      | <u>208,877</u>   |
| Net gain before income tax                                    | 2,106,440           | 2,846,558        |
| Income tax (revenues) expenses                                | (12,198)            | 29,136           |
| Net gain after income tax                                     | <u>\$ 2,118,638</u> | <u>2,817,422</u> |
| Basic EPS before tax (NT dollar)                              | <u>\$ 0.80</u>      | <u>1.18</u>      |
| Basic EPS after tax (NT dollar)                               | <u>\$ 0.80</u>      | <u>1.17</u>      |
| Basic EPS – retroactive adjustment (before tax) (NT dollar)   | <u>\$ -</u>         | <u>1.09</u>      |
| Basic EPS – retroactive adjustment (after tax) (NT dollar)    | <u>\$ -</u>         | <u>1.08</u>      |
| Diluted EPS before tax (NT dollar)                            | <u>\$ 0.76</u>      | <u>1.10</u>      |
| Diluted EPS after tax (NT dollar)                             | <u>\$ 0.76</u>      | <u>1.09</u>      |
| Diluted EPS – retroactive adjustment (before tax) (NT dollar) | <u>\$ -</u>         | <u>1.03</u>      |
| Diluted EPS – retroactive adjustment (after tax) (NT dollar)  | <u>\$ -</u>         | <u>1.02</u>      |

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**JIH SUN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

c. Statements of changes in stockholders' equity:

| Items  | Capital stock        |                  | Retained Earnings |                 |  | Equity adjustment                                  |                                    |   | Total             |
|--|----------------------|------------------|-------------------|-----------------|--|--|------------------------------------|---|-------------------|
|  | Common stock         | Preferred stock  | Legal reserve     | Special reserve | Unappropriated earnings (accumulated losses) | Unrealized gains (losses) on financial instruments | Cumulative translation adjustments | Net losses not recognized as pension cost |                   |
| <b>Beginning balance - January 1, 2010</b>   | \$ 45,211,494        | 4,416,740        | -                 | -               | (23,812,134)                                 | (85,269)   | (123,876)                          | (21,201)                                  | 25,585,754        |
| Capital stock offset accumulated deficit   | (21,692,937)         | (2,119,197)      | -                 | -               | 23,812,134                                   | -  | -                                  | -   | -                 |
| Net income for 2010  | -                    | -                | -                 | -               | 2,817,422                                    | -  | -                                  | -   | 2,817,422         |
| Cumulative translation adjustment of long-term equity investment in subsidiaries                     | -                    | -                | -                 | -               | -  | -  | (153,797)                          | -   | (153,797)         |
| Changes in unrealized losses on available-for-sale financial assets of subsidiaries                  | -                    | -                | -                 | -               | -  | 93,568   | -                                  | -   | 93,568            |
| Adjustment of net losses not recognized as pension cost  | -                    | -                | -                 | -               | -  | -  | -                                  | (22,037)                                  | (22,037)          |
| <b>Ending balance - December 31, 2010</b>  | <b>\$ 23,518,557</b> | <b>2,297,543</b> | <b>-</b>          | <b>-</b>        | <b>2,817,422</b>                             | <b>8,299</b>                                       | <b>(277,673)</b>                   | <b>(43,238)</b>                           | <b>28,320,910</b> |
| <b>Beginning balance - January 1, 2011</b>   | \$ 23,518,557        | 2,297,543        | -                 | -               | 2,817,422                                    | 8,299  | (277,673)                          | (43,238)                                  | 28,320,910        |
| Earnings appropriation and distribution:   |                      |                  |                   |                 |  |  |                                    |   |                   |
| Legal reserve  | -                    | -                | 281,742           | -               | (281,742)                                    | -  | -                                  | -   | -                 |
| Special Reserve  | -                    | -                | -                 | 312,613         | (312,613)                                    | -  | -                                  | -   | -                 |
| Cash dividends - common stock  | -                    | -                | -                 | -               | (214,724)                                    | -  | -                                  | -   | (214,724)         |
| Cash dividends - preferred stock   | -                    | -                | -                 | -               | (75,819)                                     | -  | -                                  | -   | (75,819)          |
| Capital increase through capitalization of retained earnings   | 1,932,524            | -                | -                 | -               | (1,932,524)                                  | -  | -                                  | -   | -                 |
| Conversion of preferred stock to common stock  | 79,074               | (79,074)         | -                 | -               | -  | -  | -                                  | -   | -                 |
| Net income for 2011  | -                    | -                | -                 | -               | 2,118,638                                    | -  | -                                  | -   | 2,118,638         |
| Cumulative translation adjustment of long-term equity investment in subsidiaries                     | -                    | -                | -                 | -               | -  | -  | 58,136                             | -   | 58,136            |
| Changes in unrealized losses on available-for-sale financial assets of subsidiaries                  | -                    | -                | -                 | -               | -  | -  | -                                  | (41,831)                                  | (41,831)          |
| Adjustment of net losses not recognized as pension cost assets of subsidiaries                       | -                    | -                | -                 | -               | -  | 42,987   | -                                  | -   | 42,987            |
| Reclassification of trading loss reserve and default loss reserve as special reserve of subsidiaries | -                    | -                | -                 | 329,064         | -  | -  | -                                  | -   | 329,064           |
| <b>Ending balance - December 31, 2011</b>  | <b>\$ 25,530,155</b> | <b>2,218,469</b> | <b>281,742</b>    | <b>641,677</b>  | <b>2,118,638</b>                             | <b>51,286</b>                                      | <b>(219,537)</b>                   | <b>(85,069)</b>                           | <b>30,537,361</b> |

**JIH SUN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

d. Statements of cash flows:

|   | <b>2011</b>     |                        | <b>2010</b>     |                          |
|---|-----------------|------------------------|-----------------|--------------------------|
|   | <b>Subtotal</b> | <b>Total</b>           | <b>Subtotal</b> | <b>Total</b>             |
| <b>Cash flows from operating activities:</b>                      |                 |                        |                 |                          |
| <b>Net income</b>   | \$ 2,118,638    |                        | 2,817,422       |                          |
| <b>Adjustment Items :</b>   |                 |                        |                 |                          |
| Depreciation expense  | 258             |                        | 1,083           |                          |
| Amortization expense  | 405             |                        | 541             |                          |
| Gain from equity investments from<br>equity method investees      | (2,276,396)     |                        | (3,049,845)     |                          |
| Cash dividends received under<br>equity method                    | 1,418,792       |                        | 1,194,019       |                          |
| Losses on disposal of fixed assets                                | 34              |                        | 184             |                          |
| <b>Changes in operating assets and liabilities</b>                |                 |                        |                 |                          |
| Decrease in receivables   | 61,502          |                        | 521,680         |                          |
| Decrease (increase) in other assets                               | 289             |                        | (572)           |                          |
| Increase (decrease) in payables                                   | 262,798         |                        | (137,519)       |                          |
| Increase in accrued pension liabilities                           | 339             |                        | 318             |                          |
| Increase in other liabilities                                     | 449             |                        | 355             |                          |
| <b>Net cash used in operating activities:</b>                     |                 | <u>1,587,108</u>       |                 | <u>1,347,666</u>         |
| <b>Cash flows from investing activities:</b>                      |                 |                        |                 |                          |
| Acquisition of property and equipment                             | (1,679)         |                        | (1,007)         |                          |
| Long-term equity investments                                      | (1,150,000)     |                        | (1,150,000)     |                          |
| <b>Net cash used in investing activities</b>                      |                 | <u>(1,151,679)</u>     |                 | <u>(1,151,007)</u>       |
| <b>Cash flows from financing activities</b>                       |                 |                        |                 |                          |
| Increase in commercial papers issued                              | 129,657         |                        | 690,099         |                          |
| Decrease in short-term borrowings                                 | (280,000)       |                        | (920,000)       |                          |
| Cash dividends  | (290,543)       |                        | -               |                          |
| <b>Net cash used in financing activities</b>                      |                 | <u>(440,886)</u>       |                 | <u>(229,901)</u>         |
| <b>Net decrease in cash and cash equivalents</b>                  |                 | <u>(5,457)</u>         |                 | <u>(33,242)</u>          |
| <b>Cash and cash equivalents, beginning of the<br/>year</b>       |                 | <u>12,666</u>          |                 | <u>45,908</u>            |
| <b>Cash and cash equivalents, end of the year</b>                 |                 | <u><u>7,209</u></u>    |                 | <u><u>12,666</u></u>     |
| <b>Supplemental cash flow information:</b>                        |                 |                        |                 |                          |
| Interest paid during the year (excluding<br>capitalized interest) |                 | <u><u>88,403</u></u>   |                 | <u><u>85,278</u></u>     |
| Income taxes paid during the year                                 |                 | <u><u>7,621</u></u>    |                 | <u><u>9,248</u></u>      |
| <b>Non-cash investing and financing<br/>activities</b>            |                 |                        |                 |                          |
| Capital stock offset accumulated deficit                          |                 | <u><u>-</u></u>        |                 | <u><u>23,812,134</u></u> |
| Net losses not recognized as pension cost                         |                 | <u><u>(41,831)</u></u> |                 | <u><u>(22,037)</u></u>   |

**JIH SUN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

(D) The Subsidiaries' Balance Sheets and Statements of Income

Jih Sun International Commercial Bank Co., Ltd.:

a. Condensed balance sheets

| <b>Assets</b>  | <b>December 31, 2011</b> | <b>December 31, 2010</b> |
|--|--------------------------|--------------------------|
| Cash and cash equivalents  | \$ 2,896,261             | 2,334,484                |
| Due from the Central Bank and call loans to banks                    | 25,689,180               | 35,460,920               |
| Financial assets measured at fair value through profit or loss – net | 17,346,272               | 23,787,876               |
| Securities purchased under resell agreements                         | 1,289,263                | 453,095                  |
| Receivables – net  | 5,910,445                | 5,441,662                |
| Discounts and loans – net  | 132,470,587              | 128,721,950              |
| Available-for-sale financial assets – net                            | 14,767,111               | 2,102,179                |
| Held-to-maturity financial assets – net                              | 300,000                  | 300,000                  |
| Stock investments measured by equity method – net                    | 43,411                   | 47,533                   |
| Other financial assets – net   | 1,086,488                | 1,163,674                |
| Fixed assets – net   | 3,971,686                | 4,237,973                |
| Intangible assets  | 183,519                  | 281,833                  |
| Other assets – net   | 1,266,957                | 1,417,853                |
| <b>Total Assets</b>  | <b>\$ 207,221,180</b>    | <b>205,751,032</b>       |
| <br>   |                          |                          |
| <b>Liabilities and stockholders' equity</b>                          |                          |                          |
| Deposits from the Central Bank and other banks                       | \$ 10,463,002            | 6,967,852                |
| Financial liabilities measured at fair value through profit or loss  | 106,952                  | 256,778                  |
| Securities sold under repurchase agreements                          | 5,548,743                | 384,973                  |
| Payables   | 3,391,946                | 2,299,169                |
| Deposits and exchange  | 168,308,756              | 179,727,517              |
| Financial bonds payable  | 2,500,000                | 2,500,000                |
| Other financial liabilities  | 275,205                  | 109,828                  |
| Other liabilities  | 234,158                  | 248,304                  |
| <b>Total Liabilities</b>   | <b>190,828,762</b>       | <b>192,494,421</b>       |
| <br>   |                          |                          |
| Capital  | 14,379,980               | 13,195,572               |
| Legal reserve  | 14,746                   | -                        |
| Unappropriated earnings  | 1,937,244                | 49,154                   |
| Other items of stockholders' equity                                  | 60,448                   | 11,885                   |
| <b>Total stockholders' equity</b>                                    | <b>16,392,418</b>        | <b>13,256,611</b>        |
| <b>Total liabilities and stockholders' equity</b>                    | <b>\$ 207,221,180</b>    | <b>205,751,032</b>       |

**JIH SUN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

b. Condensed statements of income

|  | <b>2011</b>         | <b>2010</b>      |
|--|---------------------|------------------|
| Net interest incomes                                     | \$ 2,332,344        | 2,277,315        |
| Except for net interest incomes                          | 2,944,677           | 1,918,875        |
| Net income   | 5,277,021           | 4,196,190        |
| Bad debt expenses  | 691,542             | 568,970          |
| Operating expenses                                       | 2,920,184           | 2,951,456        |
| Net income before tax                                    | <b>\$ 1,665,295</b> | <b>675,764</b>   |
| Net income after tax                                     | <b>\$ 1,937,244</b> | <b>1,018,042</b> |
| EPS before tax (NT dollar)                               | <b>\$ 1.20</b>      | <b>0.52</b>      |
| EPS after tax (NT dollar)                                | <b>\$ 1.40</b>      | <b>0.79</b>      |
| EPS – retroactive adjustment<br>(before tax) (NT dollar) | <b>\$ -</b>         | <b>0.52</b>      |
| EPS – retroactive adjustment<br>(after tax) (NT dollar)  | <b>\$ -</b>         | <b>0.79</b>      |

Jih Sun Securities Co., Ltd.:

a. Condensed balance sheets:

|   | <b>December 31, 2011</b> | <b>December 31, 2010</b> |
|---|--------------------------|--------------------------|
| <b>Assets</b>                                     |                          |                          |
| Current assets                                    | \$ 27,571,133            | 30,669,697               |
| Funds and investments                             | 4,440,007                | 4,334,833                |
| Fixed assets – net                                | 1,828,045                | 1,779,790                |
| Intangible Assets                                 | 25,238                   | 28,331                   |
| Other assets                                      | 1,372,497                | 1,384,576                |
| Debit items for Trade Brokerage                   | 306,562                  | 218,923                  |
| <b>Total Assets</b>                               | <b>\$ 35,543,482</b>     | <b>38,416,150</b>        |
| <b>Liabilities and stockholders' equity</b>       |                          |                          |
| Current liabilities                               | \$ 13,677,587            | 15,551,530               |
| Long-term liabilities                             | 1,497,029                | 1,497,172                |
| Other liabilities                                 | 178,689                  | 437,920                  |
| <b>Total Liabilities</b>                          | 15,353,305               | 17,486,622               |
| Capital   | 11,572,127               | 11,572,127               |
| Capital Surplus                                   | 1,298,456                | 1,298,456                |
| Retained earnings                                 | 7,537,568                | 8,287,648                |
| Other items of stockholders' equity               | (217,974)                | (228,703)                |
| <b>Total stockholders' equity</b>                 | 20,190,177               | 20,929,528               |
| <b>Total liabilities and stockholders' equity</b> | <b>\$ 35,543,482</b>     | <b>38,416,150</b>        |

**JIH SUN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

b. Condensed statements of income:

|                            | <b>2011</b>       | <b>2010</b>      |
|----------------------------|-------------------|------------------|
| Revenues                   | \$ 5,016,980      | 6,145,369        |
| Expenses                   | 4,383,553         | 3,778,221        |
| Net income before tax      | <b>\$ 633,427</b> | <b>2,367,148</b> |
| Net income after tax       | <b>\$ 339,123</b> | <b>2,031,219</b> |
| EPS before tax (NT dollar) | <b>\$ 0.55</b>    | <b>2.05</b>      |
| EPS after tax (NT dollar)  | <b>\$ 0.29</b>    | <b>1.76</b>      |

Jih Sun International Property Insurance Agency Co., Ltd.:

a. Condensed balance sheets

|   | <b>December 31, 2011</b> | <b>December 31, 2010</b> |
|---|--------------------------|--------------------------|
| <b>Assets</b>                                     |                          |                          |
| Current assets                                    | \$ 5,430                 | 6,380                    |
| Fixed assets                                      | 141                      | 79                       |
| Other assets                                      | 242                      | 42                       |
| <b>Total Assets</b>                               | <b>\$ 5,813</b>          | <b>6,501</b>             |
| <b>Liabilities and stockholders' equity</b>       |                          |                          |
| Current liabilities                               | \$ 1,142                 | 1,334                    |
| <b>Total Liabilities</b>                          | <b>1,142</b>             | <b>1,334</b>             |
| Capital   | 3,000                    | 3,000                    |
| Retained earnings                                 | 1,671                    | 2,167                    |
| <b>Total stockholders' equity</b>                 | <b>4,671</b>             | <b>5,167</b>             |
| <b>Total liabilities and stockholders' equity</b> | <b>\$ 5,813</b>          | <b>6,501</b>             |

b. Condensed statements of income

|                                | <b>2011</b>    | <b>2010</b> |
|--------------------------------|----------------|-------------|
| Revenues                       | \$ 7,371       | 7,675       |
| Operating costs                | 3,909          | 4,149       |
| Gross Profit                   | 3,462          | 3,526       |
| Operating expenses             | 3,440          | 2,785       |
| Non-operating revenue and gain | 7              | 69          |
| Non-operating expense and loss | -              | 106         |
| Net income before tax          | <b>\$ 29</b>   | <b>704</b>  |
| Net income after tax           | <b>\$ 29</b>   | <b>584</b>  |
| EPS before tax (NT dollar)     | <b>\$ 0.10</b> | <b>2.35</b> |
| EPS after tax (NT dollar)      | <b>\$ 0.10</b> | <b>1.95</b> |

**JIH SUN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

(E) Profitability:

a. Profitability of the Company and its subsidiaries

Unit: %

| Item   | December 31, 2011 | December 31, 2010 |
|--|-------------------|-------------------|
| Consolidated return on assets ratio (Before tax) | 0.87              | 1.20              |
| Consolidated return on assets ratio (After tax)  | 0.85              | 1.18              |
| Consolidated return on equity ratio (Before tax) | 7.36              | 10.64             |
| Consolidated return on equity ratio (After tax)  | 7.20              | 10.45             |
| Consolidated net income ratio                    | 24.32             | 29.93             |

b. Profitability of Financial Holding Company

Unit: %

| Item                                | December 31, 2011 | December 31, 2010 |
|-------------------------------------|-------------------|-------------------|
| Return on assets ratio (Before tax) | 5.79              | 8.36              |
| Return on assets ratio (After tax)  | 5.82              | 8.27              |
| Return on equity ratio (Before tax) | 7.16              | 10.56             |
| Return on equity ratio (After tax)  | 7.20              | 10.45             |
| Net income ratio                    | 91.54             | 92.21             |

c. Profitability of Jih Sun Securities Co. Ltd.

Unit: %

| Item                                | December 31, 2011 | December 31, 2010 |
|-------------------------------------|-------------------|-------------------|
| Return on assets ratio (Before tax) | 1.71              | 6.43              |
| Return on assets ratio (After tax)  | 0.92              | 5.51              |
| Return on equity ratio (Before tax) | 3.08              | 11.49             |
| Return on equity ratio (After tax)  | 1.65              | 9.86              |
| Net income ratio                    | 9.96              | 38.72             |

d. Profitability of Jih Sun Bank Co., Ltd. refers to note 10(F)f.

Note 1: Return on assets ratio = Net income (loss) before/after income tax ÷ average total assets.

Note 2: Return on equity ratio = Net income (loss) before/after income tax ÷ average total equity.

Note 3: Net income ratio = Net income (loss) after income tax ÷ Net revenue.

Note 4: Net income (loss) before/after tax represents accumulated income (loss) of the current year.



**JIH SUN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

(F) Supplementary disclosures of significant business information of the Company's subsidiary, Jih Sun International Commercial Bank Co., Ltd., including its profitability, asset quality, management information, liquidity and sensitivity to market risk:

a. Asset quality

Unit: In Thousands of New Taiwan Dollars, %

| Business/Project                         |                       | December 31, 2011    |                   |                            |                         |  |           |
|--|-----------------------|----------------------|-------------------|----------------------------|-------------------------|--|-----------|
|  |                       | Non-performing loans | Total loan amount | Non-performing loans ratio | Allowance for bad debts | Coverage rate of allowance for bad debts |           |
| Corporate finance                        | Guarantee             | 166,371              | 27,814,760        | 0.60%                      | 310,314                 | 186.52%                                  |           |
|  | Non-Guarantee         | 196,829              | 41,139,862        | 0.48%                      | 571,140                 | 290.17%                                  |           |
| Consumer finance                         | Residential mortgages | 61,090               | 50,413,522        | 0.12%                      | 177,405                 | 290.40%                                  |           |
|  | Cash cards            | -                    | -                 | -%                         | -                       | -%                                       |           |
|  | Small credit loan     | 4,368                | 1,002,854         | 0.44%                      | 39,058                  | 894.18%                                  |           |
|  | Other                 | Guarantee            | 2,901             | 11,799,907                 | 0.02%                   | 30,330                                   | 1,045.50% |
|  |                       | Non-Guarantee        | 4,201             | 1,717,681                  | 0.24%                   | 210,639                                  | 5,014.02% |
| Total loan business                      |                       | 435,760              | 133,888,586       | 0.33%                      | 1,338,886               | 307.25%                                  |           |
|  |                       | Overdue accounts     | Receivables       | Overdue accounts rate      | Allowance for bad debts | Coverage rate of allowance for bad debts |           |
| Credit card business                     |                       | 5,429                | 1,611,825         | 0.34%                      | 74,924                  | 1,380.07%                                |           |
| Factoring receivables - without recourse |                       | -                    | 1,163,135         | -%                         | -                       | -%                                       |           |

| Business/Project                         |                       | December 31, 2010    |                   |                            |                         |  |         |
|--|-----------------------|----------------------|-------------------|----------------------------|-------------------------|--|---------|
|  |                       | Non-performing loans | Total loan amount | Non-performing loans ratio | Allowance for bad debts | Coverage rate of allowance for bad debts |         |
| Corporate finance                        | Guarantee             | 1,476,978            | 27,534,465        | 5.36%                      | 484,828                 | 32.83%                                   |         |
|  | Non-Guarantee         | 462,442              | 33,815,453        | 1.37%                      | 394,416                 | 85.29%                                   |         |
| Consumer finance                         | Residential mortgages | 190,121              | 54,290,106        | 0.35%                      | 77,462                  | 40.74%                                   |         |
|  | Cash cards            | -                    | -                 | -%                         | -                       | -%                                       |         |
|  | Small credit loan     | 49,404               | 1,045,174         | 4.73%                      | 53,461                  | 108.21%                                  |         |
|  | Other                 | Guarantee            | 31,309            | 11,017,100                 | 0.28%                   | 8,819                                    | 28.17%  |
|  |                       | Non-Guarantee        | 66,812            | 2,204,543                  | 3.03%                   | 165,905                                  | 248.32% |
| Total loan business                      |                       | 2,277,066            | 129,906,841       | 1.75%                      | 1,184,891               | 52.04%                                   |         |
|  |                       | Overdue accounts     | Receivables       | Overdue accounts rate      | Allowance for bad debts | Coverage rate of allowance for bad debts |         |
| Credit card business                     |                       | 9,728                | 1,924,335         | 0.51%                      | 16,741                  | 172.09%                                  |         |
| Factoring receivables - without recourse |                       | -                    | 878,954           | -%                         | -                       | -%                                       |         |

**JIH SUN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

- Note 1: Non-performing loans represent the amount of overdue loans as reported in accordance with the “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans.” The credit card overdue loans represent the amount of overdue loans as reported in accordance with Jin-Kuan-Yin-(4)-Zi No. 0944000378, dated July 6, 2005.
- Note 2: Non-performing loans ratio = Non-performing loans ÷ total loans; Credit card delinquency ratio = Overdue receivables ÷ balance of receivables.
- Note 3: Coverage ratio of allowance for bad debts = allowance for credit losses ÷ non-performing loans; Coverage ratio for credit card = allowance for credit losses ÷ overdue receivables.
- Note 4: For residential mortgage loans, a borrower provides his/her (or spouse’s or minor child’s) house as collateral in full and pledges it to the financial institution for the purpose of obtaining funds to purchase property and to construct or repair a house.
- Note 5: Microcredit loans are defined by Jin-Kuan-Yin-(4)-Zi No. 09440010950, dated December 19, 2005, and they do not include credit cards or cash cards.
- Note 6: Others in consumer finance are secured and unsecured consumer loans other than residential mortgage loans, cash cards, and microcredit loans, and do not include credit cards.
- Note 7: In accordance with Jin-Kuan-Yin-(5)-Zi No. 094000494, dated July 19, 2005, the amounts of without-recourse factoring will be classified as overdue receivables within three months from the date that suppliers or insurance companies resolve not to compensate the loss.
- Note 8: Supplemental disclosures:

The information below shows supplemental disclosures of loans and receivables that may be exempted from reporting as non-performing loans and overdue receivables, respectively.

Unit: In Thousands of New Taiwan Dollars

|   | December 31,  |   |   |   |
|---|---|---|---|---|
|   | 2011  |   | 2010  |   |
|   | Loans may be exempted from reporting as a non-performing loan | Receivables may be exempted from reporting as overdue receivables | Loans may be exempted from reporting as a non-performing loan | Receivables may be exempted from reporting as overdue receivables |
| Pursuant to a contract under a debt Negotiation plan (Note (a))                       | 278,585   | -   | 164,903   | 202,032   |
| Pursuant to a contract under a debt liquidation plan and a debt relief plan(Note (b)) | 75,075  | 12,104  | 87,513  | 16,363  |
| Total   | 353,660   | 12,104  | 252,416   | 218,395   |

**JIH SUN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

Note (a): In accordance with Jin-Kuan-Yin-(1)-Zi No. 09510001270, dated April 25, 2006, a bank is required to make supplemental disclosure reporting credit information which was approved under the “Debt Coordination Mechanism of Unsecured Consumer Debts by the Bankers Association of the R.O.C”.

Note (b): In accordance with Jin-Kuan-Yin-(1)-Zi No. 09700318940, dated September 15, 2008, a bank is required to make supplemental disclosure reporting credit information once debtors apply for pre-negotiation, relief and liquidation under the “Consumer Debt Clearance Act”.

b. Concentrations of credit extensions:

Unit: In Thousands of New Taiwan Dollars, %

| <b>December 31,2011</b> |  |               |  |
|-------------------------|--|---------------|--|
| Rank                    | Enterprise group   | Credit amount | Credit amount to shareholders' equity ratio(%) |
| 1                       | A GROUP- Petroleum and Coal Products Manufacturing             | 5,324,154     | 32.48%   |
| 2                       | B GROUP- Real Estate Development                               | 2,463,010     | 15.03%   |
| 3                       | C GROUP-Telecommunications                                     | 1,546,354     | 9.43%  |
| 4                       | D GROUP-Real Estate Development                                | 1,497,311     | 9.13%  |
| 5                       | E GROUP-Liquid Crystal Panel and Components Manufacturing      | 1,237,993     | 7.55%  |
| 6                       | F GROUP-Financial Holdings                                     | 1,144,100     | 6.98%  |
| 7                       | G GROUP-Other Financial Intermediates Not Elsewhere Classified | 1,085,450     | 6.62%  |
| 8                       | H GROUP-Other Domestic Appliances Manufacturing                | 1,016,130     | 6.20%  |
| 9                       | I GROUP-Real Estate Development                                | 998,940       | 6.09%  |
| 10                      | J GROUP-Other Financial Intermediates Not Elsewhere Classified | 968,110       | 5.91%  |

**JIH SUN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

| <b>December 31, 2010</b> |   |                      |   |
|--------------------------|---|----------------------|---|
| <b>Rank</b>              | <b>Enterprise group</b>                                   | <b>Credit amount</b> | <b>Credit amount to shareholders' equity ratio(%)</b> |
| 1                        | A GROUP- Petroleum and Coal Products Manufacturing        | 3,981,039            | 30.03%  |
| 2                        | B GROUP-Liquid Crystal Panel and Components Manufacturing | 2,222,681            | 16.77%  |
| 3                        | C GROUP-Telecommunications                                | 1,841,928            | 13.89%  |
| 4                        | D GROUP-Monitors and Terminals Manufacturing              | 1,501,036            | 11.32%  |
| 5                        | E GROUP-Short-term Accommodation Services                 | 1,286,187            | 9.70%   |
| 6                        | F GROUP-Financial Holdings                                | 1,274,694            | 9.62%   |
| 7                        | G GROUP-Other Retail Sale in General Merchandise Stores   | 1,090,813            | 8.23%   |
| 8                        | H GROUP-Electronic Equipment Components Wholesale Trade   | 1,071,828            | 8.09%   |
| 9                        | I GROUP-Steel Rolling and Extruding                       | 991,544              | 7.48%   |
| 10                       | J GROUP-Other Retail Sale in General Merchandise Stores   | 855,520              | 6.45%   |

Note 1: The chart ranks the top ten enterprise groups other than government or stated-owned enterprises according to the total outstanding loan balance of the enterprise group.

Note 2: Enterprise group is as defined in Article 6 of the “Supplementary Provisions to the Taiwan Stock Exchange Corporation Rules for Review of Securities Listings”.

Note 3: The total outstanding credit amount is the sum of the balances of all loan types (including import and export bill negotiations, loans, overdrafts short/medium/long-term secured and unsecured loans, receivables from securities lending and non-accrual loans), bills purchased, without-recourse factoring, acceptances receivable and guarantees receivable.

- c. Average amount and current period average interest rate of interest-earning assets and interest-bearing liabilities were as follows:

|                                     | <b>December 31, 2011</b> |                         | <b>December 31, 2010</b> |                         |
|-------------------------------------|--------------------------|-------------------------|--------------------------|-------------------------|
|                                     | <b>Average amount</b>    | <b>Average rate (%)</b> | <b>Average amount</b>    | <b>Average rate (%)</b> |
| <b>Interest-earning assets</b>      | \$ 187,297,774           | 1.98                    | 181,826,973              | 1.87                    |
| <b>Interest-bearing liabilities</b> | 184,917,788              | 0.75                    | 181,725,459              | 0.62                    |

**JIH SUN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

d. Interest rate sensitivity information

**Interest rate sensitive assets and liabilities analysis sheet(NTD)**

| ITEM   | Unit: in Thousands of New Taiwan Dollars; % |                            |                                |             |             |
|--|---|----------------------------|--------------------------------|-------------|-------------|
|  | 1-90 days<br>(inclusive)                    | 91-180 days<br>(inclusive) | 181 days-1 year<br>(inclusive) | Over 1 year | Total       |
| Interest rate sensitive assets   | \$ 131,491,416                              | 4,560,111                  | 1,332,416                      | 33,823,940  | 171,207,883 |
| Interest rate sensitive liabilities                                      | 73,981,793                                  | 61,530,245                 | 30,173,872                     | 1,634,924   | 167,320,834 |
| Interest sensitivity gap   | 57,509,623                                  | (56,970,134)               | (28,841,456)                   | 32,189,016  | 3,887,049   |
| Net value  |   |                            |                                |             | 16,065,206  |
| Interest-rate-sensitive asset to interest rate sensitive liability ratio |   |                            |                                |             | 102.32      |
| Interest rate sensitivity gap to net value ratio                         |   |                            |                                |             | 24.20       |

Note 1: Listed amounts of the head office, domestic branches, offshore banking unit and overseas branches (excluding foreign currency amounts) are denominated in NTD.

Note 2: Interest-rate-sensitive assets and liabilities are determined by the revenue or cost of interest rate fluctuations between interest-earning assets and interest-bearing liabilities.

Note 3: Interest rate sensitivity gap = Interest-rate-sensitive assets – Interest-rate-sensitive liabilities.

Note 4: Ratio of interest-rate-sensitive assets to liabilities = Interest-rate-sensitive assets ÷ Interest rate-sensitive liabilities (denominated in NTD).

**Interest rate sensitive assets and liabilities analysis sheet(USD)**

| ITEM   | Unit: in Thousands of US Dollars; % |                            |                               |             |         |
|--|-------------------------------------|----------------------------|-------------------------------|-------------|---------|
|  | 1-90 days<br>(inclusive)            | 91-180 days<br>(inclusive) | 181days-1 year<br>(inclusive) | Over 1 year | Total   |
| Interest rate sensitive assets   | \$ 260,788                          | 35,840                     | 55,274                        | 207,791     | 559,693 |
| Interest rate sensitive liabilities                                      | 207,230                             | 276,503                    | 43,644                        | 175         | 527,552 |
| Interest sensitivity gap   | 53,558                              | (240,663)                  | 11,630                        | 207,616     | 32,141  |
| Net value  |                                     |                            |                               |             | 10,577  |
| Interest-rate-sensitive asset to interest rate sensitive liability ratio |                                     |                            |                               |             | 106.09  |
| Interest rate sensitivity gap to net value ratio                         |                                     |                            |                               |             | 303.88  |

Note 1: Listed amounts of the head office, domestic branches, offshore banking unit and overseas branches are denominated in USD. Excluding contingent assets and contingent liabilities items.

Note 2: Interest-rate-sensitive assets and liabilities are determined by the revenue or cost of various rates spreads between interest-earning assets and interest-bearing liabilities.

Note 3: Interest rate sensitivity gap = Interest-rate-sensitive assets – Interest-rate-sensitive liabilities.

Note 4: Ratio of interest-rate-sensitive assets to liabilities = Interest-rate-sensitive assets ÷ Interest rate-sensitive liabilities (denominated in U.S. dollars).

**JIH SUN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

e. Main Foreign Currency Net Position

| <u>Foreign Currency Net position</u> | <u>December 31, 2011</u> |            | <u>December 31, 2010</u> |            |
|--------------------------------------|--------------------------|------------|--------------------------|------------|
|                                      | <u>Currency</u>          | <u>NTD</u> | <u>Currency</u>          | <u>NTD</u> |
|                                      | 1. USD                   | 331,992    | 1. USD                   | 283,163    |
|                                      | 2. JPY                   | (62,213)   | 2. JPY                   | 13,203     |
|                                      | 3. AUD                   | 40,819     | 3. CNY                   | 3,411      |
|                                      | 4. EUR                   | (24,922)   | 4. HKD                   | (1,209)    |
|                                      | 5. NZD                   | 19,983     | 5. AUD                   | (723)      |

f. Profitability and maturity analysis of assets and liabilities:

(1) Profitability:

Unit: %

| <b>Item</b>                         | <b>December 31, 2011</b> | <b>December 31, 2010</b> |
|-------------------------------------|--------------------------|--------------------------|
| Return on assets ratio (Before tax) | 0.81                     | 0.34                     |
| Return on assets ratio (After tax)  | 0.94                     | 0.52                     |
| Return on equity ratio (Before tax) | 11.23                    | 5.58                     |
| Return on equity ratio (After tax)  | 13.07                    | 8.40                     |
| Net income ratio                    | 36.71                    | 24.26                    |

Note 1: Return on assets ratio = Net income (loss) before/after income tax ÷ average total assets.

Note 2: Return on equity ratio = Net income (loss) before/after income tax ÷ average total equity.

Note 3: Net income ratio = Net income (loss) after income tax ÷ Net revenue.

Note 4: Net income (loss) before/after tax represents accumulated income (loss) of the current year.

(2) Maturity analysis of assets and liabilities:

Structure analysis of New Taiwan Dollars time to maturity

| <u>Financial instrument</u>       | <u>Total</u>   | <u>Remaining amount to maturity</u> |                   |                    |                        |                    |
|-----------------------------------|----------------|-------------------------------------|-------------------|--------------------|------------------------|--------------------|
|                                   |                | <u>1-30 days</u>                    | <u>31-90 days</u> | <u>91-180 days</u> | <u>181 days-1 year</u> | <u>Over 1 year</u> |
| Major capital inflow at maturity  | \$ 188,502,747 | 39,971,228                          | 16,631,971        | 9,694,883          | 15,600,323             | 106,604,342        |
| Major capital outflow at maturity | 242,485,641    | 28,612,948                          | 25,905,197        | 30,278,900         | 75,685,475             | 82,003,121         |
| Gap                               | (53,982,894)   | 11,358,280                          | (9,273,226)       | (20,584,017)       | (60,085,152)           | 24,601,221         |

Note: Listed amounts of the head office and domestic branches (excluding foreign currency amounts) are denominated in NTD.

**JIH SUN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

Structure analysis of US Dollars time to maturity

| Financial instrument              | Total      | Remaining amount to maturity       |            |             |                 |             |
|-----------------------------------|------------|------------------------------------|------------|-------------|-----------------|-------------|
|                                   |            | 1-30 days                          | 31-90 days | 91-180 days | 181 days-1 year | Over 1 year |
|                                   |            | Unit: in Thousands of U.S. Dollars |            |             |                 |             |
| Major capital inflow at maturity  | \$ 619,588 | 164,401                            | 160,883    | 42,284      | 57,263          | 194,757     |
| Major capital outflow at maturity | 749,606    | 237,769                            | 154,249    | 94,277      | 77,846          | 185,465     |
| Gap                               | (130,018)  | (73,368)                           | 6,634      | (51,993)    | (20,583)        | 9,292       |

Note1: Listed amounts of the head office, domestic branches, offshore banking unit and overseas branches are denominated in U.S. dollars. The amounts were listed by book value except for additional statement. Non-recorded amount shall not be listed. (For example: planning to issue negotiable certificates of deposit, bonds or stocks).

Note2: The supplementary disclosure of information shall be provided, if the overseas assets accounts for more than 10% to the total assets.

(G) Special matters of the subsidiary company, Jin Sun International Commercial Bank Co., Ltd.

|  | <b>Description and amount</b>   |
|--|---|
| Within one year, a person in charge of the business or an employee who violated the law in the course of business, and resulting in an indictment by the prosecutor. | The assistant manager of Sanchong branch, Mr. Yang has been accused by the victim, Mr. Qin for forgery. Mr. Yang was prosecuted for forgery by the Banciao District prosecutor in August 2010. Moreover, in January 2011, in accordance with the Taiwan Banciao District Court (99) Jian-Zi No.7789, Mr. Yang was sentenced for 2 months. However, Mr. Yang had appealed the case and received the same judgment from the first instance. |
| Within one year, any fine was levied by governmental authority for violations of the related regulation.   | None  |
| Within one year, any deficiency for which an official reprimand was issued by governmental authority.  | None  |

**JIH SUN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

|   | <b>Description and amount</b> |
|---|-------------------------------|
| Within one year, in accordance with Article 61-1 of the Banking Act, the items were executed by governmental authority.   | None                          |
| Within one year, the individual or aggregated loss exceeded NT\$50 million dollars, resulted from employee corruption, significant contingent events, or failure to follow the "Guidelines for the Security Maintenance of Financial Institutions". | None                          |
| Others  | None                          |

(H) The information about the Company and its subsidiaries' transactions, operations development, interactive use of information and use of operating equipment or place were as follows:

a. The information about the Company and its subsidiaries' operations and transactions were as follows:

(1) For the years ended December 31, 2011 and 2010, the Company paid the fee from providing agency service for stock affairs (including computer printing fee) to the Company's subsidiary, Jih Sun Securities Co., Ltd. amounted to \$11,507 and \$12,372, respectively. And the Company paid rental fee to the Company's subsidiary, Jih Sun Securities Co., Ltd. amounted to \$0 and \$198, respectively. For the years ended December 31, 2011 and 2010, directors' and supervisors' remuneration received from Jih Sun Securities Co., Ltd. amounted to \$30,581 and \$5,500, respectively. For the years ended December 31, 2011 and 2010, the Company's ending balance of bank deposit with Jih Sun International Commercial Bank Co., Ltd. amounted to \$6,810 and \$12,168, respectively. The highest balance amounted to \$1,480,900 and \$1,207,608, respectively, and total amount of interest income amounted to \$109 and \$38, respectively. For the years ended December 31, 2011 and 2010, directors' and supervisors' remuneration received from Jih Sun International Commercial Bank Co., Ltd. amounted to \$5,500 and \$0, respectively.

(2) Jih Sun Securities Co., Ltd. charged to Jih Sun International Commercial Bank Co., Ltd.:

|   | <b>2011</b> | <b>2010</b> |
|---|-------------|-------------|
| Service fee – brokerage                               | \$ 311      | 1,183       |
| Rental income   | 12,913      | 15,601      |
| Stock agent income (including computer printing fee)  | 720         | 720         |
| Revenue from management fee allocated (Note)          | 209,789     | 203,661     |
| Revenue from water and electricity expenses allocated | 7,091       | 7,267       |
| Joint marketing expense                               | -           | 146         |
| Transaction fees                                      | 631         | 669         |
| Bank custodian fees                                   | 3           | -           |



**JIH SUN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

Note: Refer to the management fee that Jih Sun Securities Co., Ltd. authorized Jih Sun International Commercial Bank Co., Ltd. to deliver settlement money from customers, stock transfer and other related events. For the years ended December 31, 2011 and 2010, the joint marketing revenue amounted \$834 and \$743, respectively.

- (3) The deposits (Refundable deposits) for Jih Sun International Commercial Bank Co., Ltd. and the Company to rent operation place from Jih Sun Securities Co., Ltd. were as follows:

|   | <b>December 31,</b> |             |
|---|---------------------|-------------|
|   | <b>2011</b>         | <b>2010</b> |
| Jih Sun International Commercial Bank Co., Ltd. | \$ 2,873            | 3,146       |

- (4) For the years ended December 31, 2011 and 2010, Jih Sun Securities Co., Ltd.'s ending balance of repurchase / resell agreements of securities and related interest expense and income with related parties were as follows:

Securities sold under repurchase agreements:

|   | <b>2011</b>              |                       | <b>2010</b>              |                       |
|---|--------------------------|-----------------------|--------------------------|-----------------------|
|   | <b>Interest expenses</b> | <b>Ending balance</b> | <b>Interest expenses</b> | <b>Ending balance</b> |
| Jih Sun International Commercial Bank Co., Ltd. | \$ -                     | -                     | <b>63</b>                | -                     |

- (5) For the years ended December 31, 2011 and 2010, Jih Sun Securities Co., Ltd.'s ending balance of bank deposit in Jih Sun International Commercial Bank Co., Ltd. amounted to \$761,653 and \$324,371, respectively. (The deposit is recorded under cash and cash equivalents, operation guaranteed deposits, other assets-refundable deposits, debit items for trade brokerage, cash and cash equivalents – receipts under custody from exercise of warrant and receipts under custody from customers' security subscription etc.) The highest balance amounted to \$2,366,899 and \$5,226,194, respectively, and interest income amounted to \$1,905 and \$731, respectively.
- (6) For the years ended December 31, 2011 and 2010, the commission income of Jih Sun Securities Co., Ltd. that acted as an agent to promote Jih Sun International Property Insurance Agency Co., Ltd. amounted to \$1,685 and \$1,610, respectively.
- (7) As of July 14, 2011 and August 19, 2010, Jih Sun International Commercial Bank Co., Ltd.'s guaranteed line of credit to Jih Sun Securities Co., Ltd. amounted to \$1,200,000. As of December 31, 2011 and 2010, the loan balances were both \$0.

**JIH SUN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

(8) Property transaction

For the year ended December 31, 2011, Jih Sun International Commercial Bank Co., Ltd. signed a sale of real estate contract with Jih Sun Securities Co., Ltd. Total contract price of \$29,641 is determined according to professional valuation report, and related gain on sale was \$399. Registration of the property right was completed on July 15, 2011. The transaction with related parties above is substantially on the same terms as for comparable transactions with non-related parties.

(9) Jih Sun International Commercial Bank Co., Ltd. charged to Jih Sun Securities Co., Ltd.:

|                | <b>2011</b>      | <b>2010</b>   |
|----------------|------------------|---------------|
| Leasing income | <u>\$ 11,572</u> | <u>11,952</u> |

(10) The deposits for Jih Sun Securities Co., Ltd. to rent operational place from Jih Sun International Commercial Bank Co., Ltd. were as follows:

|                             | <b>December 31,</b> |              |
|-----------------------------|---------------------|--------------|
|                             | <b>2011</b>         | <b>2010</b>  |
| Guarantee deposits received | <u>\$ 2,014</u>     | <u>1,905</u> |

(11) For the years ended December 31, 2011 and 2010, the commission income of Jih Sun International Commercial Bank Co., Ltd. that acted as an agent to promote Jih Sun International Property Insurance Agency Co., Ltd. amounted to \$2,170 and \$2,521, respectively.

The joint marketing expenses between Jih Sun International Commercial Bank Co., Ltd. and Jih Sun Securities Co., Ltd., except for the rental were paid fixed amount based on negotiation, the other operating expenses were in accordance with the proportion of the actual usages. For the years ended December 31, 2011 and 2010, the Jih Sun International Commercial Bank Co., Ltd. had received the joint marketing revenue amounted to \$0 and \$146 from Jih Sun Securities Co., Ltd. and pay the joint marketing expenses amounted to \$834 and \$743 to Jih Sun Securities Co., Ltd.

**JIH SUN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

- (I) According to Financial Holding Company Act, Article 46, the aggregate amounts and percentage of credits, guarantees and other transactions taken place between all subsidiaries of the financial holding company and any of the following counterparties such as the same person, parties and affiliates by the end of December 31, 2011:

| Name                                 | Aggregate amount of credits, guarantees or any other transactions | Aggregate percentage of the financial holding company's net value |
|--------------------------------------|---|---|
| <b>A. The same person</b>            |   |   |
| Formosa Petrochemical Corporation    | 2,955,233   | 9.68%   |
| RSEA Engineering Corporation         | 4,354,000   | 14.26%  |
| Mega Bills Finance Corporation       | 1,761,528   | 5.77%   |
| Taiwan Power Company                 | 5,231,466   | 17.13%  |
| <b>B. The same affiliate</b>         |   |   |
| Foxconn Technology Group             | 1,881,938   | 6.16%   |
| Kinpo Group                          | 1,613,918   | 5.29%   |
| Mega Financial Holding Company Group | 1,836,462   | 6.01%   |
| Formosa Plastics Group               | 7,529,972   | 24.66%  |

Note 1: If the aggregate amount of credit extended, guarantees given, or any other transactions conducted by all subsidiaries of the financial holding company to, for, or with the same person, same related person or same affiliate is greater than the lower of 5% of net worth of the financial holding company or NT\$3 billion, the related transaction information needs to be filed according to the table refer above.

Note 2: Credit includes loans, discounts, overdrafts, acceptances, guarantees and other lines of business operations designated by the Central Competent Authority.

Note 3: Guarantees here are indicative of endorsements and guarantees of for bills finance corporations.

Note 4: Other transactions with the same person, same related person, or same affiliate (hereinafter referred to as "the affiliates") here are indicative of the transactions listed below:

- (1) Transaction of notes, bills, or bonds with reverse repurchase agreement;
- (2) Investment in or purchase of securities issued by any of the affiliates mentioned in the preceding paragraph;
- (3) Transactions of financial derivatives; and
- (4) Other transactions as prescribed by the Competent Authority.

**JIH SUN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

(J) Capital adequacy ratio of the Group:

| Company                                 | Items | Percentage of Ownership | December 31, 2011            |                                       | December 31, 2010            |                                       |
|---|-------|-------------------------|------------------------------|---------------------------------------|------------------------------|---------------------------------------|
|   |       |                         | Group's Net Eligible Capital | Group's Statutory Capital Requirement | Group's Net Eligible Capital | Group's Statutory Capital Requirement |
| Financial Holding Company               |       | 100%                    | 30,537,332                   | 37,277,534                            | 28,720,476                   | 34,915,949                            |
| Bank Subsidiaries                       |       | 100%                    | 14,065,348                   | 9,838,073                             | 11,125,656                   | 9,430,359                             |
| Securities Subsidiaries                 |       | 100%                    | 14,936,366                   | 3,164,426                             | 16,048,786                   | 4,766,616                             |
| Other Subsidiaries                      |       | 100%                    | 4,671                        | 2,843                                 | 5,167                        | 3,187                                 |
| Deduction                               |       | -                       | 36,548,461                   | 36,446,633                            | 34,402,653                   | 34,050,673                            |
| Subtotal                                |       |                         | 22,995,256                   | 13,836,243                            | 21,497,432                   | 15,065,438                            |
| Capital adequacy ratio of the Group (%) |       |                         |                              | 166.20                                |                              | 142.69                                |

(K) Jih Sun Financial Holding Co., Ltd.'s eligible capital:

| Items   | December 31, 2011 | December 31, 2010 |
|---|-------------------|-------------------|
| Common Stock  | 25,530,155        | 23,518,557        |
| Perpetual non-cumulative preferred shares and non-cumulative subordinated noted without a maturity date | -                 | -                 |
| Other Preferred Stock and Subordinated Debentures   | 2,218,469         | 2,697,543         |
| Advance Receipts Capital Stock  | -                 | -                 |
| Legal Reserve   | 281,742           | -                 |
| Special Reserve   | 641,677           | -                 |
| Accumulated profit or loss  | 2,118,638         | 2,817,422         |
| Equity adjustments  | (253,320)         | (312,612)         |
| Less: Goodwill  | -                 | -                 |
| Less: Deferred assets   | 29                | 434               |
| Total eligible capital  | 30,537,332        | 28,720,476        |

**JIH SUN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

(L) Foreign Currency Financial Assets and Liabilities:

|                              | December 31, 2011             |                       |               | December 31, 2010             |                      |               |
|------------------------------|-------------------------------|-----------------------|---------------|-------------------------------|----------------------|---------------|
|                              | Foreign<br>currency<br>amount | Spot rate             | NTD<br>amount | Foreign<br>currency<br>amount | Spot rate            | NTD<br>amount |
| <b>Financial Assets</b>      |                               |                       |               |                               |                      |               |
| <u>Monetary items</u>        |                               |                       |               |                               |                      |               |
| AUD                          | \$ 33,111                     | 30.760//30.735/30.740 | 1,018,501     | 25,016                        | 30.940/30.810/29.680 | 773,901       |
| EUR                          | 11,513                        | 39.210/39.180         | 451,471       | 19,571                        | 40.580/40.380/38.920 | 794,137       |
| GBP                          | 2,754                         | 46.750/46.730         | 128,723       | 2,502                         | 47.060/46.860/45.190 | 117,738       |
| HKD                          | 141,187                       | 3.899/3.897/3.900     | 550,129       | 138,848                       | 3.906/3.876/3.750    | 538,812       |
| JPY                          | 1,475,628                     | 0.3906                | 576,384       | 1,295,391                     | 0.3734/0.3710/0.3582 | 483,399       |
| NZD                          | 7,496                         | 23.42                 | 175,549       | 11,346                        | 23.51                | 266,755       |
| USD                          | 654,237                       | 30.294/30.275/30.280  | 19,818,250    | 491,338                       | 30.368/30.292/29.130 | 14,889,288    |
| ZAR                          | 94,837                        | 3.73                  | 353,741       | 46,396                        | 4.58                 | 212,495       |
| Other (Note 1)               |                               |                       | 122,964       |                               |                      | 132,927       |
| <u>Non-Monetary items</u>    |                               |                       |               |                               |                      |               |
| HKD                          | 6,490                         | 3.897/3.900           | 25,292        | 117,273                       | 3.876/3.750          | 454,551       |
| Other (Note 1)               |                               |                       | 10,664        |                               |                      | 22,581        |
| <b>Financial Liabilities</b> |                               |                       |               |                               |                      |               |
| <u>Monetary items</u>        |                               |                       |               |                               |                      |               |
| AUD                          | \$ 33,497                     | 30.760/30.735/30.740  | 1,030,364     | 23,150                        | 30.940/30.810/29.680 | 716,254       |
| EUR                          | 11,547                        | 39.210/39.180         | 452,766       | 19,596                        | 40.580/40.380/38.920 | 795,153       |
| GBP                          | 2,788                         | 46.750/46.730         | 130,337       | 2,532                         | 47.060/47.860/45.190 | 119,124       |
| HKD                          | 119,373                       | 3.899/3.897/3.900     | 465,438       | 133,060                       | 3.906/3.876/3.750    | 519,529       |
| JPY                          | 1,107,679                     | 0.3906                | 432,659       | 868,036                       | 0.3734/0.3710/0.3582 | 323,912       |
| NZD                          | 7,456                         | 23.42                 | 174,621       | 11,250                        | 23.51                | 264,491       |
| USD                          | 623,003                       | 30.294/30.275/30.280  | 18,872,164    | 383,388                       | 30.368/30.292/29.130 | 11,612,459    |
| ZAR                          | 96,556                        | 3.73                  | 360,153       | 46,303                        | 4.58                 | 212,066       |
| Other (Note 1)               |                               |                       | 106,773       |                               |                      | 95,600        |
| <u>Non-Monetary items</u>    |                               |                       |               |                               |                      |               |
| Other (Note 1)               |                               |                       | 2,127         |                               |                      | 1,322         |

Note 1: Other currencies that are less than \$100 million are disclosed together.

Note 2: Only disclose the currency information of the Company's important subsidiaries.

- (M) Futures commission merchant, MF Global Holding Ltd. had filed for bankruptcy protection on October 31, 2011 and its affiliate company, MF Global Singapore Pte. Ltd. had appointed provisional liquidator to progress on liquidation procedure. According to the company's official website, the provisional liquidator have retained 83% of customers' margin deposits (the proportion amounted to 87% if US \$20 million held by the Taiwan branch were added), other remaining assets are actively under liquidation process. Partial margin deposits are expected to be returned to domestic futures commission merchants within the year 2012. \$76,632 in margin deposit of the Company's sub-subsidiary, Jih Sun Futures Co., Ltd., was affected by the incident. Jih Sun Futures Co., Ltd. had paid \$43,858 on behalf of investors and recorded as "accounts receivable". Margin deposits resulted from proprietary trading amounted to \$737 was reclassified to accounts receivable.

**JIH SUN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

According to the Ju-Fa-Shu Order No.L10101 report dated January 3, 2012, from the attorney consigned by the Chinese National Futures Association, the evaluation of the recoverability of margin deposits approximate to US \$65 million, due from MF Global Singapore Pte. Ltd., are set forth below:

- a. The US \$65 million due from MF Global Singapore Pte. Ltd. Taiwan Branch of which US \$20 million is highly possible to be recovered.
- b. The highest unrecoverable amount of the remaining customer margin deposits (US \$45 million after deducted highly possible recovered amount US \$20 million) due from MF Global Singapore Pte. Ltd. is US \$5,850 (approximately NT\$177 million).
- c. Despite the fact that a loss of \$177 million is possible to incur, MF Global Singapore Pte. Ltd. Taiwan Branch has retained operating fund of \$0.3 billion which is more than sufficient to cover the loss. As of November 31, 2011, the net assets of MF Global Singapore Pte. Ltd. Taiwan Branch is approximately \$0.37 billion. Domestic futures commission merchants have right to claim against the operating fund of MF Global Singapore Pte. Ltd. Taiwan Branch, and have legal priority to claim their rights prior to creditors for any obligations resulted from ordinary operating activities by the head office.

According to the abovementioned professional opinion, the sub-subsidiary, Jih Sun Futures Co., Ltd. believed that the deposits are highly possible to be recovered in full, thus not required to make provision for impairment loss.

In addition, JS Cresvale Securities International Ltd. and Jih Sun Financial Services (Cayman) Ltd. were affected by the incident. The affected amount of margin call resulted from proprietary trading were \$58,947 and \$76,187, respectively.

According to the announcement on the company's official website, JS Cresvale Securities International Ltd. and Jih Sun Financial Services (Cayman) Ltd. had evaluated and concluded that accounts receivable are highly possible to be recovered in full, thus not required to make provision for impairment loss.

**JIH SUN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

- (N) Under Jin-Kuan-Zheng-Shen Order No. 0990004943 dated February 2, 2010, issued by the Financial Supervisory Commission, Executive Yuan, R.O.C. (FSC), starting from 2013, listed companies and emerging companies are required to prepare financial reports in conformity with International Financial Reporting Standards (IFRSs), International Accounting Standards (IASs), the explanations of the Standing Interpretations Committee (SICs), and the International Financial Reporting Interpretations Committee (IFRICs) approved by the FSC. In compliance with the adjustment, the Company's subsidiaries, Jih Sun International Commercial Bank Co., Ltd. and Jih Sun Securities Co., Ltd. have formed a special task force and established an IFRS adoption plan. The general manager of the Company is responsible for the conversion plan. The Company has also formed a special task force to implement and monitor the conversion plan which is dominated by the general manager of the Company. Significant plan content, expected completion schedule, and current status are as below:

| <b>Significant Plan Content</b>  | <b>Responsible Department (or person)</b>             | <b>Current Status</b> |
|--|---|-----------------------|
| 1. Evaluation Phase (2009.08.26 ~ 2011.12.31)  | Accounting Department                                 | Done                  |
| ⊙ Establish an IFRSs adoption plan and form an IFRSs task force  | Accounting Department                                 | Done                  |
| ⊙ First stage internal staff training  | Accounting Department                                 | Done                  |
| ⊙ Compare and analyze differences between IFRSs and current accounting policies  | Accounting Department                                 | Done                  |
| ⊙ Identify consolidated entities under IFRSs   | Accounting Department                                 | Done                  |
| ⊙ Evaluate probable adjustments to current accounting policies   | Accounting Department                                 | Done                  |
| ⊙ Evaluate applicable "First-time adoption of IFRSs"   | Accounting Department                                 | Done                  |
| ⊙ Evaluate probable adjustments to related information systems and internal controls                                     | Relevant Operating, Information and Audit Departments | Done                  |
| 2. Preparation Phase (2011.01.01 ~ 2012.12.31)   |   |                       |
| ⊙ Determine adjustments to current accounting policies   | Accounting Department                                 | Done                  |
| ⊙ Determine applicable "First-time adoption of IFRSs"  | Accounting Department                                 | Done                  |
| ⊙ Adjust related information systems and internal controls   | Relevant Operating, Information and Audit Departments | In Progress           |
| ⊙ Second stage internal staff training   | Accounting Department                                 | In Progress           |
| 3. Execution Phase (2011.01.01 ~ 2012.12.31)   |   |                       |
| ⊙ Test the operation of information systems  | Information Department                                | In Progress           |
| ⊙ Collect information for use of statement of financial position on transition date and comparative financial statements | Accounting Department                                 | In Progress           |
| ⊙ Complete financial statements of 2012 in conformity with IFRSs   | Accounting Department                                 | In Progress           |

**JIH SUN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

- (O) Based on the Company and its subsidiaries' evaluation, significant differences between current accounting policies and IFRSs accounting policies are as follows:

| <b>Topics</b>                                | <b>Differences in conformity with IFRSs</b>   |
|--|---|
| Customer loyalty programmes                  | Revenue of award credits is recognized when payment is made by credit card users; expenses are recognized with the estimated redemption of award credits according to past experience, relative to the monthly award credits. According to IFRSs, revenue of award credits should be deferred and recognized as liabilities (deferred revenue), and revenue is recognized when award credits are redeemed. There is no need to estimate redemption fee, only when award credits are redeemed in exchange of awards. |
| Employee Benefit Plan - Pension              | In accordance with SFAS No.18, the corridor method is used to amortize unrecognized gain or loss of the defined benefit pension plan; however, IAS No.19 will be followed by recognizing actuarial gain or loss under other comprehensive income in the current period.   |
| Employee Benefit Plan - Compensated absences | There are no such requirements for accumulating compensated absences according to current accounting standards adopted by the R.O.C; after the adoption of IFRSs, in the case of accumulating compensated absences, expenses should be recognized when the employees render service that increase their entitlement to future compensated absences.   |
| Investment Property                          | There are no such requirements for investment property according to current accounting standards adopted by the R.O.C.. However, according to IAS No.40 as approved by the FSC, investment property is property (land or a building—or part of a building—or both) held by the owner or by the lessee under a finance lease to earn rentals or for capital appreciation or both. The Company classifies property that fulfills the abovementioned requirements under investment property.                           |

- (P) The Company and its subsidiaries have conducted the abovementioned evaluation in accordance with IFRSs, IASs, IFRICs, and SICs that are approved by the FSC. The estimated significant differences drawn from the evaluation are the result of considering the current regulations, accounting principles, and business environment. Thus, the actual differences may differ depending on changes to regulations, accounting principles, and business environment.



**JIH SUN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

**11. DISCLOSURE REQUIRED**

(A) Related information of significant transactions :

- a. Cumulative purchase or sales of the same investee's capital stock up to \$300,000 or 10% of paid-in capital:

Unit : In thousands of New Taiwan Dollar/ thousands of shares

| Trading Company | Name of Securities                      | Account                               | Counterparty | Relationship                 | Beginning balance |            | Purchase |           | Sales  |            |            | Ending balance(Note3)      |           |            |
|-----------------|---|---------------------------------------|--------------|------------------------------|-------------------|------------|----------|-----------|--------|------------|------------|----------------------------|-----------|------------|
|                 |   |                                       |              |                              | Number            | Amount     | Number   | Amount    | Number | sale price | Book value | Gains (losses) on disposal | Number    | Amount     |
| The Company     | Jih Sun                                 | Equity investment under equity method | -            | Investee under equity method | 1,319,557         | 13,115,978 | 115,000  | 1,150,000 | -      | -          | -          | -                          | 1,437,998 | 16,251,785 |
|                 | International Commercial Bank Co., Ltd. | investment under equity method        |              |                              |                   |            |          |           |        |            |            |                            | (Note 1)  | (Note 2)   |

Note 1: On June 9, 2011, the capital stock of the Company increased 115,000 and retained earnings transferred to capital in the form of 3,441 shares.

Note 2: As of December 31, 2011, the ending balance included investment income under equity method amounted to \$1,937,244, recognition of unrealized gain from available-for-sale financial assets amounted to \$48,563 and increase in capital amounted to \$1,150,000.

Note 3: The ending balance had been written-off when preparing consolidated financial statements.

- b. Acquisition of real estate up to \$300,000 or 10% of paid-in capital: none.
- c. Disposal of real estate up to \$300,000 or 10% of paid-in capital: none.
- d. Discount of commission fees for transaction with related parties up to \$5,000: none.
- e. Receivables from related parties up to \$300,000 or 10% of paid-in capital: for more information please refer to Note 4 (Y) s and these transactions were written-off.
- f. Transaction information on NPL disposal:

(1) Summary table of NPL disposal:

| Trade Date      | Counterparty                      | Debt Component                                      | Book Value (Note1) | Sale Price | Gains on Disposal (Note2) | Additional term | Relationship        |
|-----------------|-----------------------------------|---|--------------------|------------|---------------------------|-----------------|---------------------|
| August 15, 2011 | Hua Nan Assets Management Company | Enterprise, Residential mortgage loan               | 295,423            | 870,555    | 575,132                   | None            | Non-related parties |
| August 15, 2011 | Yuanta Assets Management Company  | Credit cards, Cash cards, Non-guarantee credit loan | -                  | 419,060    | 419,060                   | None            | Non-related parties |

**JIH SUN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

Note:1. The book value is the balance of the book value of \$352,068 less by the allowance for bad debts of \$56,645.

Note:2. The client has paid \$8,795 for the period from the date of contract to actual settlement date.

(2) Disclosure of the information on the single transaction of sale of NPL whose debt amount is in excess of \$1 billion (exclusive of the sale to related parties).

Counterparty: Hua Nan Assets Management Company      Disposal date: August 15, 2011

Unit: in Thousands of New Taiwan Dollar

| Debt Component |               | Debt Amount           | Book Value | Sale Price Allocation |
|----------------|---------------|-----------------------|------------|-----------------------|
| Enterprise     | Guarantee     | 1,444,801             | 286,009    | 841,533               |
|                | Non-Guarantee | -                     | -          | -                     |
| Individual     | Guarantee     | Residential mortgages | 115,926    | 9,414                 |
|                |               | Car Loan              | -          | -                     |
|                |               | Others                | -          | -                     |
|                | Non-Guarantee | Credit cards          | -          | -                     |
|                |               | Cash cards            | -          | -                     |
|                |               | Small credit loan     | -          | -                     |
|                |               | Others                | -          | -                     |
| Total          |               | 1,560,727             | 295,423    | 870,555               |

Counterparty: Yuanta Assets Management Company      Disposal date: August 15, 2011

Unit: in Thousands of New Taiwan Dollar

| Debt Component |               | Debt Amount           | Book Value | Sale Price Allocation |        |
|----------------|---------------|-----------------------|------------|-----------------------|--------|
| Enterprise     | Guarantee     | -                     | -          | -                     |        |
|                | Non-Guarantee | -                     | -          | -                     |        |
| Individual     | Guarantee     | Residential mortgages | -          | -                     |        |
|                |               | Car Loan              | -          | -                     |        |
|                |               | Others                | -          | -                     |        |
|                | Non-Guarantee | Credit cards          | 1,774,822  | -                     | 90,173 |
|                |               | Cash cards            | 552,683    | -                     | 31,930 |
|                |               | Small credit loan     | 1,289,330  | -                     | 74,489 |
|                |               | Others                | -          | -                     | -      |
| Total          |               | 3,616,835             | -          | 196,592               |        |

**JIH SUN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

Counterparty: Yuanta Assets Management Company

Disposal date: August 15, 2011

Unit: in Thousands of New Taiwan Dollar

| Debt Component |               | Debt Amount           | Book Value | Sale Price Allocation |         |
|----------------|---------------|-----------------------|------------|-----------------------|---------|
| Enterprise     | Guarantee     | -                     | -          | -                     |         |
|                | Non-Guarantee | -                     | -          | -                     |         |
| Individual     | Guarantee     | Residential mortgages | -          | -                     |         |
|                |               | Car Loan              | -          | -                     |         |
|                |               | Others                | -          | -                     |         |
|                | Non-Guarantee | Credit cards          | 1,769,034  | -                     | 101,959 |
|                |               | Cash cards            | 553,421    | -                     | 36,235  |
|                |               | Small credit loan     | 1,287,146  | -                     | 84,274  |
|                |               | Others                | -          | -                     | -       |
| <b>Total</b>   |               | <b>3,609,601</b>      | <b>-</b>   | <b>222,468</b>        |         |

Note: The price allocation is based on (a) prices of non-performing credit card loan.  
(b) amount of cash cards and credit loans.

g. Types of securitization instruments approved to be issued pursuant to financial assets securitization rules or real estate securitization rules and other relevant information: none.

h. Other significant transactions that may have substantial influence upon the decision made by financial statements users: none.

(B) Related information of investee companies:

a. Names, locations, and relevant information of investees upon which the Company exercises significant influence:

Unit: shares/ thousands of NTD/ thousands of USD/ thousands of HKD

| Investor company             | Investee company  | Address  | Major business  | Shareholding ratio % | Book value | Investment gain (loss) recognized | Held by the company and subsidiaries |                 |               | Shareholding ratio % | (Note 1)       |
|------------------------------|---|--|---|----------------------|------------|-----------------------------------|--------------------------------------|-----------------|---------------|----------------------|----------------|
|                              |   |  |   |                      |            |                                   | Shares                               | Performa shares | Total Shares  |                      |                |
| The Company                  | Jih Sun Securities Co., Ltd.                              | 3F-4F, No.111, Sec.2, Nanjing E. Rd., Taipei                                       | Brokerage, underwriting, proprietary trading  | 100.00               | 20,190,177 | 339,123                           | 1,157,212,760                        | -               | 1,157,212,760 | 100.00               | Subsidiaries   |
| "                            | Jih Sun International Commercial Bank Co., Ltd.           | 1F, No.10, Sec.1, Chung Ching S. Rd., Taipei                                       | Deposits and loans, temporary receipt, investment of government bonds, short-term bills/ notes and financial bonds  | 100.00               | 16,251,785 | 1,937,244                         | 1,437,997,923                        | -               | 1,437,997,923 | 100.00               | "              |
| "                            | Jih Sun International Property Insurance Agency Co., Ltd. | 8F, No.85,87, Sec.2, Nanjing E. Rd., Taipei  | Property insurance agency   | 100.00               | 4,671      | 29                                | 300,000                              | -               | 300,000       | 100.00               | "              |
| Jih Sun Securities Co., Ltd. | Jih Sun Futures Co., Ltd.                                 | 4F, No.111, Sec.2, Nanjing E. Rd., Taipei  | Futures brokerage and proprietary trading   | 98.138               | 1,372,253  | 133,527                           | 68,696,435                           | -               | 68,696,435    | 98.138               | Sub-subsidiary |
| "                            | Jih Sun International Investment Holding Co., Ltd.        | Scotia Centre, 4th Floor, P.O. Box 2804, George Town, Grand Cayman, Cayman Islands | Investee companies operate following business:<br>1. Securities brokerage and proprietary trading<br>2. Underwriting<br>3. Securities research and analysis<br>4. Corporate and individual financial planning<br>5. Financing business<br>6. Investment trust<br>7. Futures | 100.00               | 1,506,507  | (100,415)                         | 54,600,000                           | -               | 54,600,000    | 100.00               | "              |
| "                            | Jih Sun Securities Investment Consulting Co., Ltd.        | 7F, No.111, Sec.2, Nanjing E. Rd., Taipei  | Provide advisory and consulting related with securities investment on a consigned basis   | 100.00               | 70,906     | 16,975                            | 10,000,000                           | -               | 10,000,000    | 100.00               | "              |

**JIH SUN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

| Investor company                                | Investee company                                      | Address   | Major business  | Shareholding ratio % | Book value | Investment gain (loss) recognized | Held by the company and subsidiaries |                 |                      | (Note 1) |                         |
|---|---|---|---|----------------------|------------|-----------------------------------|--------------------------------------|-----------------|----------------------|----------|-------------------------|
|   |   |   |   |                      |            |                                   | Shares                               | Performa shares | Total                |          |                         |
|   |   |   |   |                      |            |                                   | Shares                               | Performa shares | Shareholding ratio % |          |                         |
| Jih Sun Securities Co., Ltd.                    | Jih Sun Securities Investment Trust Co., Ltd          | 5F, No.139, Sec.2, Nanjing E. Rd., Taipei                                   | Securities investment trust business and discretionary investment business  | 20.00                | 234,901    | 19,992                            | 7,800,000                            | -               | 7,800,000            | 20.00    | Investee Company        |
| Jih Sun International Commercial Bank Co., Ltd. | Jih Sun Life Insurance Agency Co., Ltd.               | 8F, No.85,87, Sec.2, Nanjing E. Rd., Taipei                                 | Life insurance agency   | 99.00                | 43,411     | 29,690                            | 297,000                              | -               | 297,000              | 99.00    | Sub-subsidiary.         |
| JS International Investment Holding Co. Ltd.    | JS Cresvale Securities International Ltd.             | 18F, Euro Trade Centre, 21-23 Des Voeux Road Central, Hong Kong, HK         | Brokerage, proprietary trading underwriting, Other related securities business authorized by Hong Kong Act.   | 100.00               | USD 29,878 | USD (2,357)                       | 293,000,000                          | -               | 293,000,000          | 100.00   | Forth-level subsidiary. |
| "   | Jih Sun Financial Services (Cayman) Ltd.              | Scotia, 4th Floor, P.O. Box 2804, George Town, Grand Cayman, Cayman Islands | 1. Securities brokerage proprietary trading, underwriting and financial investment<br>2. Corporate and individual financial planning<br>3. Design of Financial products<br>4. Other related securities business authorized by local government. | 100.00               | USD 17,477 | USD (990)                         | 18,050,000                           | -               | 18,050,000           | 100.00   | "                       |
| "   | Jih Sun Capital Management Ltd.                       | P.O. Box 146, Road Town, Tortola, British Virgin Islands                    | 1. Overseas Fund management<br>2. Overseas Asset management<br>3. Other related Asset management business authorized by local government<br>4. Proprietary trading  | 100.00               | USD 1,908  | USD (68)                          | 100,000                              | -               | 100,000              | 100.00   | "                       |
| JS Cresvale Securities International Ltd.       | JS Cresvale Capital Ltd. (JS Cresvale Financing Ltd.) | 18F, Euro Trade Centre, 21-23 Des Voeux Road Central, Hong Kong, HK         | 1. Stock brokerage, margin trading<br>2. Futures brokerage - sales of mutual funds & other financial product.<br>3. Other related securities business authorized by local government.   | 100.00               | HKD 20,716 | HKD (157)                         | 2,000,000                            | -               | 2,000,000            | 100.00   | "                       |

Note 1: Long-term investment under equity method and stockholders' equities of the investee company were written-off when preparing consolidated financial statements.

- b. Loans to others or individuals: not applicable to financing and securities subsidiaries; others: none.
- c. Endorsement and guarantees for others: not applicable to financing and securities subsidiaries; other: none.
- d. Marketable securities held as of December 31, 2011: not applicable to financing and securities subsidiaries: none.
- e. Cumulative purchases or sales of the same investee's capital stock up to \$300,000 or 10% of paid-in capital: none.
- f. Acquisition of real estate up to \$300,000 or 10% of paid-in capital: none.
- g. Disposal of real estate up to \$300,000 or 10% of paid-in capital: none.
- h. Discount of commission fees for transaction with related parties up to \$5,000: none.
- i. Receivables from related parties up to \$300,000 or 10% of paid-in capital: Receivable of the Company's subsidiary, Jih Sun International Commercial Bank Co., Ltd. resulting from tax incentives was \$1,682,377.
- j. Financial derivative transactions: for further information, please refer to Note 4 (AB).

**JIH SUN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

- k. Information on NPL disposal transaction: for further information, please refer to Note 11 (A).
- l. Types of securitization instruments approved to be issued pursuant to financial assets securitization rules or real estate securitization rules and other relevant information: none.
- m. Other significant transactions that may have substantial influence upon the decisions made by financial statements users: none.
- n. Related information regarding countries and regions of securities business investee without securities authority:

Pursuant to Securities and Futures Bureau (SFB) (92) Tai-Cai-Zheng-Zi(2) No. 0920004507 dated October 31, 2003, the disclosures related to the Company's subsidiary Jih Sun Securities Co., Ltd.'s investment in foreign enterprises of British Virgin Islands for the year ended December 31, 2011, were as follows:

(1) Concise Balance Sheet and Income Statement :

A. Balance Sheet

Unit : U.S. dollars

| Company<br>Items                      | Jih Sun International<br>Investment Holding<br>Co., Ltd. | Jih Sun Financial<br>Services<br>(Cayman) Ltd. | Jih Sun Capital<br>Management Ltd. |
|---------------------------------------|--|--|------------------------------------|
| Current Assets                        | \$ 499,189   | 30,850,623                                     | 1,911,287                          |
| Fund and Investments                  | 49,262,941   | 2  | -                                  |
| Current Liabilities                   | 1,380  | 13,373,679                                     | 3,250                              |
| Capital Stock                         | 54,600,000   | 18,050,000                                     | 100,000                            |
| Retained Earnings                     | (4,685,497)  | (573,054)                                      | 1,808,037                          |
| Cumulative Translation<br>Adjustments | (153,753)  | -  | -                                  |
| Total Assets                          | 49,762,130   | 30,850,625                                     | 1,911,287                          |
| Total Liabilities                     | 1,380  | 13,373,679                                     | 3,250                              |
| Shareholders' Equity                  | 49,760,750   | 17,476,946                                     | 1,908,037                          |

B. Income Statement

Unit : U.S. dollars

| Company<br>Items                  | Jih Sun International<br>Investment Holding<br>Co., Ltd. | Jih Sun Financial<br>Services<br>(Cayman) Ltd. | Jih Sun Capital<br>Management Ltd. |
|-----------------------------------|--|--|------------------------------------|
| Operating Income                  | \$ -   | 384,470  | 67,438                             |
| Operating Expenses                | (3,419,405)  | (1,361,159)                                    | (66,281)                           |
| Non-operating Income              | 2,861  | 5,844  | 765                                |
| Non-operating expense             | -  | (19,613)                                       | (69,578)                           |
| Net Income (Loss) Before<br>Taxes | (3,416,544)  | (990,458)                                      | (67,656)                           |
| Net Income (Loss) After Taxes     | (3,416,544)  | (990,458)                                      | (67,656)                           |

**JIH SUN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

(2) Marketable securities held as of December 31, 2011:

Unit: Shares; U.S. dollars

| Name of company holding securities                 | Marketable securities type and name                              | Account  | 2011.12.31  |                      |
|--|--|--|-------------|----------------------|
|  |  |  | Shares      | Amount               |
| Jih Sun International Investment Holding Co., Ltd. | JS Cresvale Securities International Ltd.                        | Long-term Investment under equity method                               | 293,000,000 | \$ 29,877,957        |
|  | Jih Sun Financial Services (Cayman) Ltd.                         | "  | 18,050,000  | 17,476,946           |
|  | Jih Sun Capital Management Ltd.                                  | "  | 100,000     | 1,908,037            |
|  | Total  |  |             | <b>\$ 49,262,940</b> |
| Jih Sun <b>Financial</b> Services (Cayman) Ltd.    | Securities, bonds and beneficiary certificate:<br>ACER INC (CB)  | Financial assets measured at fair value through profit or loss-current | 3,700,000   | \$ 3,446,624         |
|  | WHARF FIN LTD (CB)   | "  | 28,000,000  | 3,379,576            |
|  | Others – less than USD3,000,000                                  | "  |             | 14,621,282           |
|  | Derivative Instruments:<br>Collateralized Debt Obligations (CDO) | Financial assets measured at fair value through profit or loss-current |             | -                    |
|  | Total  |  |             | 21,447,482           |
|  | Global Communication Corp.                                       | Available-for-sale financial assets-non-current                        | 25,000      | 1                    |
|  | Caprion Corp.  | "  | 1,773       | 1                    |
|  | Subtotal   |  | 2           |                      |
|  | Total  |  |             | <b>\$ 21,447,484</b> |

(3) Financial derivative instrument transaction and the origin of capital source:

Financial derivative instrument transaction and the origin of capital source are disclosed in note 11 (B) 14 (2). Jih Sun International Investment Holding Co., Ltd. invests the subsidiary base on its own reserve. Jih Sun Financial Services (Cayman) Ltd. engaged in financial derivative instrument transactions base on its own reserve and the capital gained from conditional transactions, the net accumulated unrealized valuation losses amounted to US\$ 4,452.

(4) Related-party transactions:

Jih Sun International Investment Holding Co., Ltd., Jih Sun Financial Services (Cayman) Ltd. and Jih Sun Capital Management Ltd. had no significant transactions with related-party during year 2011.

**JIH SUN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

(5) Lawsuit events:

Jih Sun International Investment Holding Co., Ltd., Jih Sun Financial Services (Cayman) Ltd. and Jih Sun Capital Management Ltd. had no lawsuits during year 2011.

(C) Related information on subsidiary' investment in Mainland China: none.

(D) Business relationship and material transactions between the parent company and subsidiaries:

| December 31, 2011 |   |   |                                       |   |           |  |   |
|-------------------|---|---|---------------------------------------|---|-----------|--|---|
| No<br>(Note1)     | Party   | Counterparty                                    | Relationship<br>with party<br>(Note2) | Transactions                              |           |  | percentage of<br>consolidated<br>operating revenue<br>or consolidated<br>total assets |
|                   |   |   |                                       | Account                                   | Amount    | Terms  |   |
| 0                 | Jih Sun Financial Holding Co., Ltd.             | Jih Sun International Commercial Bank Co., Ltd. | 1                                     | Cash and cash equivalents                 | \$ 6,810  | The same terms as for comparable transactions with non-related third parties | -%  |
| 1                 | Jih Sun International Commercial Bank Co., Ltd. | Jih Sun Financial Holding Co., Ltd.             | 2                                     | Deposits and exchange                     | 6,810     | "  | -%  |
| 0                 | Jih Sun Financial Holding Co., Ltd.             | Jih Sun International Commercial Bank Co., Ltd. | 1                                     | Other payables                            | 1,682,377 | "  | 0.68%   |
| 1                 | Jih Sun International Commercial Bank Co., Ltd. | Jih Sun Financial Holding Co., Ltd.             | 2                                     | Other receivables                         | 1,682,377 | "  | 0.68%   |
| 2                 | Jih Sun Securities Co., Ltd.                    | Jih Sun Financial Holding Co., Ltd.             | 2                                     | Stock agent income                        | 11,507    | "  | 0.13%   |
| 0                 | Jih Sun Financial Holding Co., Ltd.             | Jih Sun Securities Co., Ltd.                    | 1                                     | Other general and administrative expenses | 11,507    | "  | 0.13%   |
| 2                 | Jih Sun Securities Co., Ltd.                    | Jih Sun Financial Holding Co., Ltd.             | 2                                     | Other receivables                         | 34,889    | "  | 0.01%   |
| 0                 | Jih Sun Financial Holding Co., Ltd.             | Jih Sun Securities Co., Ltd.                    | 1                                     | Other payables                            | 34,889    | "  | 0.01%   |
| 0                 | Jih Sun Financial Holding Co., Ltd.             | Jih Sun Securities Co., Ltd.                    | 1                                     | Other receivables                         | 813,190   | "  | 0.33%   |
| 2                 | Jih Sun Securities Co., Ltd.                    | Jih Sun Financial Holding Co., Ltd.             | 2                                     | Other payables                            | 813,190   | "  | 0.33%   |
| 1                 | Jih Sun International Commercial Bank Co., Ltd. | Jih Sun Securities Co., Ltd.                    | 3                                     | Income from Renting Operating Assets      | 11,593    | "  | 0.13%   |
| 2                 | Jih Sun Securities Co., Ltd.                    | Jih Sun International Commercial Bank Co., Ltd. | 3                                     | Other general and administrative expenses | 11,593    | "  | 0.13%   |
| 2                 | Jih Sun Securities Co., Ltd.                    | Jih Sun International Commercial Bank Co., Ltd. | 3                                     | Other income                              | 12,913    | "  | 0.15%   |
| 1                 | Jih Sun International Commercial Bank Co., Ltd. | Jih Sun Securities Co., Ltd.                    | 3                                     | Other general and administrative expenses | 12,913    | "  | 0.15%   |
| 2                 | Jih Sun Securities Co., Ltd.                    | Jih Sun International Commercial Bank Co., Ltd. | 3                                     | Other receivables                         | 15,922    | "  | 0.01%   |
| 1                 | Jih Sun International Commercial Bank Co., Ltd. | Jih Sun Securities Co., Ltd.                    | 3                                     | Other payables                            | 15,922    | "  | 0.01%   |
| 2                 | Jih Sun Securities Co., Ltd.                    | Jih Sun International Commercial Bank Co., Ltd. | 3                                     | Cash and cash equivalents                 | 628,384   | "  | 0.25%   |

**JIH SUN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

| December 31, 2011 |   |   |                                       |   |           |  |   |
|-------------------|---|---|---------------------------------------|---|-----------|--|---|
| No<br>(Note1)     | Party   | Counterparty  | Relationship<br>with party<br>(Note2) | Transactions                              |           |  | percentage of<br>consolidated<br>operating revenue<br>or consolidated<br>total assets |
|                   |   |   |                                       | Account                                   | Amount    | Terms  |   |
| 2                 | Jih Sun Securities Co., Ltd.                              | Jih Sun International Commercial Bank Co., Ltd.           | 3                                     | Operating deposits                        | \$ 10,000 | The same terms as for comparable transactions with non-related third parties | -%  |
| 2                 | Jih Sun Securities Co., Ltd.                              | Jih Sun International Commercial Bank Co., Ltd.           | 3                                     | Guarantee deposits paid                   | 22,814    | "  | 0.01%   |
| 1                 | Jih Sun International Commercial Bank Co., Ltd.           | Jih Sun Securities Co., Ltd.                              | 3                                     | Deposits and exchange                     | 659,184   | "  | 0.27%   |
| 1                 | Jih Sun International Commercial Bank Co., Ltd.           | Jih Sun Securities Co., Ltd.                              | 3                                     | Guarantee deposits received               | 2,014     | "  | -%  |
| 1                 | Jih Sun International Commercial Bank Co., Ltd.           | Jih Sun International Property Insurance Agency Co., Ltd. | 3                                     | Banking fees revenue                      | 2,170     | "  | 0.02%   |
| 3                 | Jih Sun International Property Insurance Agency Co., Ltd. | Jih Sun International Commercial Bank Co., Ltd.           | 3                                     | Commission expense                        | 2,170     | "  | 0.02%   |
| 2                 | Jih Sun Securities Co., Ltd.                              | Jih Sun International Commercial Bank Co., Ltd.           | 3                                     | Other revenue                             | 209,789   | "  | 2.41%   |
| 1                 | Jih Sun International Commercial Bank Co., Ltd.           | Jih Sun Securities Co., Ltd.                              | 3                                     | Other general and administrative expenses | 208,955   | "  | 2.40%   |
| 1                 | Jih Sun International Commercial Bank Co., Ltd.           | Jih Sun Securities Co., Ltd.                              | 3                                     | Other losses                              | 834       | "  | 0.01%   |
| 1                 | Jih Sun International Commercial Bank Co., Ltd.           | Jih Sun Securities Co., Ltd.                              | 3                                     | Guarantee deposits paid                   | 2,873     | "  | -%  |
| 2                 | Jih Sun Securities Co., Ltd.                              | Jih Sun International Commercial Bank Co., Ltd.           | 3                                     | Guarantee deposits received               | 2,873     | "  | -%  |
| 1                 | Jih Sun International Commercial Bank Co., Ltd.           | Jih Sun International Property Insurance Agency Co., Ltd. | 3                                     | Deposits and exchange                     | 5,045     | "  | -%  |
| 3                 | Jih Sun International Property Insurance Agency Co., Ltd. | Jih Sun International Commercial Bank Co., Ltd.           | 3                                     | Cash and cash equivalents                 | 5,045     | "  | -%  |
| 2                 | Jih Sun Securities Co., Ltd.                              | Jih Sun International Commercial Bank Co., Ltd.           | 3                                     | Other revenues                            | 1,899     | "  | 0.02%   |
| 1                 | Jih Sun International Commercial Bank Co., Ltd.           | Jih Sun Securities Co., Ltd.                              | 3                                     | Interests expenses                        | 1,899     | "  | 0.02%   |
| 2                 | Jih Sun Securities Co., Ltd.                              | Jih Sun International Property Insurance Agency Co., Ltd. | 3                                     | Other revenues                            | 1,685     | "  | 0.02%   |
| 3                 | Jih Sun International Property Insurance Agency Co., Ltd. | Jih Sun Securities Co., Ltd.                              | 3                                     | Commission expense                        | 1,685     | "  | 0.02%   |
| 0                 | Jih Sun Financial Holding Co., Ltd.                       | Jih Sun Securities Co., Ltd.                              | 1                                     | Other receivables                         | 14,005    | "  | 0.01%   |
| 2                 | Jih Sun Securities Co., Ltd.                              | Jih Sun Financial Holding Co., Ltd.                       | 2                                     | Other payables                            | 14,005    | "  | 0.01%   |



**JIH SUN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

| December 31, 2010 |   |   |                                       |   |           |  |   |
|-------------------|---|---|---------------------------------------|---|-----------|--|---|
| No<br>(Note1)     | Party   | Counterparty  | Relationship<br>with party<br>(Note2) | Transactions                              |           |  | percentage of<br>consolidated<br>operating revenue<br>or consolidated<br>total assets |
|                   |   |   |                                       | Account                                   | Amount    | Terms  |   |
| 0                 | Jih Sun Financial Holding Co., Ltd.                       | Jih Sun International Commercial Bank Co., Ltd.           | 1                                     | Cash and cash equivalents                 | \$ 12,168 | The same terms as for comparable transactions with non-related third parties | -%  |
| 1                 | Jih Sun International Commercial Bank Co., Ltd.           | Jih Sun Financial Holding Co., Ltd.                       | 2                                     | Deposits and exchange                     | 12,168    | "  | -%  |
| 0                 | Jih Sun Financial Holding Co., Ltd.                       | Jih Sun International Commercial Bank Co., Ltd.           | 1                                     | Interest incomes                          | 38        | "  | -%  |
| 1                 | Jih Sun International Commercial Bank Co., Ltd.           | Jih Sun Financial Holding Co., Ltd.                       | 2                                     | Interest expenses                         | 38        | "  | -%  |
| 0                 | Jih Sun Financial Holding Co., Ltd.                       | Jih Sun International Commercial Bank Co., Ltd.           | 1                                     | Other payables                            | 1,430,028 | "  | 0.58%   |
| 1                 | Jih Sun International Commercial Bank Co., Ltd.           | Jih Sun Financial Holding Co., Ltd.                       | 2                                     | Other receivables                         | 1,430,028 | "  | 0.58%   |
| 2                 | Jih Sun Securities Co., Ltd.                              | Jih Sun Financial Holding Co., Ltd.                       | 2                                     | Stock agent income                        | 12,372    | "  | 0.13%   |
| 0                 | Jih Sun Financial Holding Co., Ltd.                       | Jih Sun Securities Co., Ltd.                              | 1                                     | Other general and administrative expenses | 12,372    | "  | 0.13%   |
| 0                 | Jih Sun Financial Holding Co., Ltd.                       | Jih Sun Securities Co., Ltd.                              | 1                                     | Other receivables                         | 862,659   | "  | 0.35%   |
| 2                 | Jih Sun Securities Co., Ltd.                              | Jih Sun Financial Holding Co., Ltd.                       | 2                                     | Other payables                            | 865,253   | "  | 0.35%   |
| 2                 | Jih Sun Securities Co., Ltd.                              | Jih Sun Financial Holding Co., Ltd.                       | 2                                     | Other receivables                         | 34,889    | "  | 0.01%   |
| 0                 | Jih Sun Financial Holding Co., Ltd.                       | Jih Sun Securities Co., Ltd.                              | 1                                     | Other payables                            | 32,295    | "  | 0.01%   |
| 3                 | Jih Sun International Property Insurance Agency Co., Ltd. | Jih Sun Financial Holding Co., Ltd.                       | 2                                     | Other receivables                         | 127       | "  | -%  |
| 0                 | Jih Sun Financial Holding Co., Ltd.                       | Jih Sun International Property Insurance Agency Co., Ltd. | 1                                     | Other payables                            | 127       | "  | -%  |
| 0                 | Jih Sun Financial Holding Co., Ltd.                       | Jih Sun International Property Insurance Agency Co., Ltd. | 1                                     | Other receivables                         | 9         | "  | -%  |
| 3                 | Jih Sun International Property Insurance Agency Co., Ltd. | Jih Sun Financial Holding Co., Ltd.                       | 2                                     | Other payables                            | 9         | "  | -%  |
| 2                 | Jih Sun Securities Co., Ltd.                              | Jih Sun Financial Holding Co., Ltd.                       | 2                                     | Other revenues                            | 198       | "  | -%  |
| 0                 | Jih Sun Financial Holding Co., Ltd.                       | Jih Sun Securities Co., Ltd.                              | 1                                     | Other general and administrative expenses | 198       | "  | -%  |
| 2                 | Jih Sun Securities Co., Ltd.                              | Jih Sun International Commercial Bank Co., Ltd.           | 3                                     | Other revenues                            | 202,918   | "  | 2.15%   |
| 1                 | Jih Sun International Commercial Bank Co., Ltd.           | Jih Sun Securities Co., Ltd.                              | 3                                     | Other general and administrative expenses | 202,918   | "  | 2.15%   |
| 2                 | Jih Sun Securities Co., Ltd.                              | Jih Sun International Property Insurance Agency Co., Ltd. | 3                                     | Other revenues                            | 1,573     | "  | 0.02%   |

**JIH SUN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

| December 31, 2010 |   |   |                                       |   |          |  |   |
|-------------------|---|---|---------------------------------------|---|----------|--|---|
| No<br>(Note1)     | Party   | Counterparty  | Relationship<br>with party<br>(Note2) | Transactions                              |          |  | percentage of<br>consolidated<br>operating revenue<br>or consolidated<br>total assets |
|                   |   |   |                                       | Account                                   | Amount   | Terms  |   |
| 3                 | Jih Sun International Property Insurance Agency Co., Ltd. | Jih Sun Securities Co., Ltd.                              | 3                                     | Commission expense                        | \$ 1,573 | The same terms as for comparable transactions with non-related third parties | 0.02%   |
| 2                 | Jih Sun Securities Co., Ltd.                              | Jih Sun International Property Insurance Agency Co., Ltd. | 3                                     | Other receivables                         | 44       | "  | -%  |
| 3                 | Jih Sun International Property Insurance Agency Co., Ltd. | Jih Sun Securities Co., Ltd.                              | 3                                     | Other payables                            | 44       | "  | -%  |
| 2                 | Jih Sun Securities Co., Ltd.                              | Jih Sun International Commercial Bank Co., Ltd.           | 3                                     | Other receivables                         | 18,591   | "  | 0.01%   |
| 1                 | Jih Sun International Commercial Bank Co., Ltd.           | Jih Sun Securities Co., Ltd.                              | 3                                     | Other payables                            | 18,591   | "  | 0.01%   |
| 1                 | Jih Sun International Commercial Bank Co., Ltd.           | Jih Sun Securities Co., Ltd.                              | 3                                     | Interest incomes                          | 29       | "  | -%  |
| 2                 | Jih Sun Securities Co., Ltd.                              | Jih Sun International Commercial Bank Co., Ltd.           | 3                                     | Other general and administrative expenses | 29       | "  | -%  |
| 2                 | Jih Sun Securities Co., Ltd.                              | Jih Sun International Commercial Bank Co., Ltd.           | 3                                     | Interest incomes                          | 16       | "  | -%  |
| 1                 | Jih Sun International Commercial Bank Co., Ltd.           | Jih Sun Securities Co., Ltd.                              | 3                                     | Other general and administrative expenses | 16       | "  | -%  |
| 1                 | Jih Sun International Commercial Bank Co., Ltd.           | Jih Sun Securities Co., Ltd.                              | 3                                     | Guarantee deposits paid                   | 3,146    | "  | -%  |
| 2                 | Jih Sun Securities Co., Ltd.                              | Jih Sun International Commercial Bank Co., Ltd.           | 3                                     | Guarantee deposits received               | 3,146    | "  | -%  |
| 1                 | Jih Sun International Commercial Bank Co., Ltd.           | Jih Sun Securities Co., Ltd.                              | 3                                     | Interest incomes                          | 63       | "  | -%  |
| 2                 | Jih Sun Securities Co., Ltd.                              | Jih Sun International Commercial Bank Co., Ltd.           | 3                                     | Interest expenses                         | 63       | "  | -%  |
| 1                 | Jih Sun International Commercial Bank Co., Ltd.           | Jih Sun Securities Co., Ltd.                              | 3                                     | Banking fees revenue                      | 669      | "  | 0.01%   |
| 1                 | Jih Sun International Commercial Bank Co., Ltd.           | Jih Sun Securities Co., Ltd.                              | 3                                     | Other revenues                            | 146      | "  | -%  |
| 2                 | Jih Sun Securities Co., Ltd.                              | Jih Sun International Commercial Bank Co., Ltd.           | 3                                     | Other general and administrative expenses | 815      | "  | 0.01%   |
| 2                 | Jih Sun Securities Co., Ltd.                              | Jih Sun International Commercial Bank Co., Ltd.           | 3                                     | Cash and cash equivalents                 | 113,777  | "  | 0.05%   |
| 2                 | Jih Sun Securities Co., Ltd.                              | Jih Sun International Commercial Bank Co., Ltd.           | 3                                     | Operating deposits                        | 10,000   | "  | -%  |
| 2                 | Jih Sun Securities Co., Ltd.                              | Jih Sun International Commercial Bank Co., Ltd.           | 3                                     | Guarantee deposits paid                   | 21,905   | "  | 0.01%   |
| 1                 | Jih Sun International Commercial Bank Co., Ltd.           | Jih Sun Securities Co., Ltd.                              | 3                                     | Deposits and exchange                     | 143,777  | "  | 0.06%   |

**JIH SUN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

| December 31, 2010 |   |   |                                       |   |          |  |   |
|-------------------|---|---|---------------------------------------|---|----------|--|---|
| No<br>(Note1)     | Party   | Counterparty  | Relationship<br>with party<br>(Note2) | Transactions                              |          |  | percentage of<br>consolidated<br>operating revenue<br>or consolidated<br>total assets |
|                   |   |   |                                       | Account                                   | Amount   | Terms  |   |
| 1                 | Jih Sun International Commercial Bank Co., Ltd.           | Jih Sun Securities Co., Ltd.                              | 3                                     | Guarantee deposits received               | \$ 1,905 | The same terms as for comparable transactions with non-related third parties | -%  |
| 2                 | Jih Sun Securities Co., Ltd.                              | Jih Sun International Commercial Bank Co., Ltd.           | 3                                     | Other revenues                            | 731      | "  | 0.01%   |
| 1                 | Jih Sun International Commercial Bank Co., Ltd.           | Jih Sun Securities Co., Ltd.                              | 3                                     | Interests expenses                        | 731      | "  | 0.01%   |
| 2                 | Jih Sun Securities Co., Ltd.                              | Jih Sun International Commercial Bank Co., Ltd.           | 3                                     | Other receivables                         | 3        | "  | -%  |
| 1                 | Jih Sun International Commercial Bank Co., Ltd.           | Jih Sun Securities Co., Ltd.                              | 3                                     | Interest payables                         | 3        | "  | -%  |
| 2                 | Jih Sun Securities Co., Ltd.                              | Jih Sun International Commercial Bank Co., Ltd.           | 3                                     | Stock agent income                        | 720      | "  | 0.01%   |
| 1                 | Jih Sun International Commercial Bank Co., Ltd.           | Jih Sun Securities Co., Ltd.                              | 3                                     | Other general and administrative expenses | 720      | "  | 0.01%   |
| 2                 | Jih Sun Securities Co., Ltd.                              | Jih Sun International Commercial Bank Co., Ltd.           | 3                                     | Securities brokerage commissions          | 1,183    | "  | 0.01%   |
| 1                 | Jih Sun International Commercial Bank Co., Ltd.           | Jih Sun Securities Co., Ltd.                              | 3                                     | Handling charge                           | 1,183    | "  | 0.01%   |
| 1                 | Jih Sun International Commercial Bank Co., Ltd.           | Jih Sun Securities Co., Ltd.                              | 3                                     | Income from Renting Operating Assets      | 11,968   | "  | 0.13%   |
| 2                 | Jih Sun Securities Co., Ltd.                              | Jih Sun International Commercial Bank Co., Ltd.           | 3                                     | Other general and administrative expenses | 11,968   | "  | 0.13%   |
| 2                 | Jih Sun Securities Co., Ltd.                              | Jih Sun International Commercial Bank Co., Ltd.           | 3                                     | Other income                              | 15,601   | "  | 0.17%   |
| 1                 | Jih Sun International Commercial Bank Co., Ltd.           | Jih Sun Securities Co., Ltd.                              | 3                                     | Other general and administrative expenses | 15,601   | "  | 0.17%   |
| 1                 | Jih Sun International Commercial Bank Co., Ltd.           | Jih Sun International Property Insurance Agency Co., Ltd. | 3                                     | Deposits and exchange                     | 5,965    | "  | -%  |
| 3                 | Jih Sun International Property Insurance Agency Co., Ltd. | Jih Sun International Commercial Bank Co., Ltd.           | 3                                     | Cash and cash equivalents                 | 5,965    | "  | -%  |
| 1                 | Jih Sun International Commercial Bank Co., Ltd.           | Jih Sun International Property Insurance Agency Co., Ltd. | 3                                     | Banking fees revenue                      | 2,521    | "  | 0.03%   |
| 3                 | Jih Sun International Property Insurance Agency Co., Ltd. | Jih Sun International Commercial Bank Co., Ltd.           | 3                                     | Commission expense                        | 2,521    | "  | 0.03%   |
| 1                 | Jih Sun International Commercial Bank Co., Ltd.           | Jih Sun International Property Insurance Agency Co., Ltd. | 3                                     | Other receivables                         | 283      | "  | -%  |
| 3                 | Jih Sun International Property Insurance Agency Co., Ltd. | Jih Sun International Commercial Bank Co., Ltd.           | 3                                     | Other payables                            | 283      | "  | -%  |
| 1                 | Jih Sun International Commercial Bank Co., Ltd.           | Jih Sun International Property Insurance Agency Co., Ltd. | 3                                     | Interest expenses                         | 6        | "  | -%  |

**JIH SUN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

| December 31, 2010 |   |   |                                       |   |        |  |   |
|-------------------|---|---|---------------------------------------|---|--------|--|---|
| No<br>(Note1)     | Party   | Counterparty  | Relationship<br>with party<br>(Note2) | Transactions                              |        |  | percentage of<br>consolidated<br>operating revenue<br>or consolidated<br>total assets |
|                   |   |   |                                       | Account                                   | Amount | Terms  |   |
| 3                 | Jih Sun International Property Insurance Agency Co., Ltd. | Jih Sun International Commercial Bank Co., Ltd.           | 3                                     | Interest incomes                          | \$ 6   | The same terms as for comparable transactions with non-related third parties | -%  |
| 1                 | Jih Sun International Commercial Bank Co., Ltd.           | Jih Sun International Property Insurance Agency Co., Ltd. | 3                                     | Income from Renting Operating Assets      | 113    | "  | -%  |
| 3                 | Jih Sun International Property Insurance Agency Co., Ltd. | Jih Sun International Commercial Bank Co., Ltd.           | 3                                     | Other general and administrative expenses | 113    | "  | -%  |
| 2                 | Jih Sun Securities Co., Ltd.                              | Jih Sun International Commercial Bank Co., Ltd.           | 3                                     | Other revenue                             | 743    | "  | 0.01%   |
| 1                 | Jih Sun International Commercial Bank Co., Ltd.           | Jih Sun Securities Co., Ltd.                              | 3                                     | Other losses                              | 743    | "  | 0.01%   |

Note 1: Serial number is determined as follows:

1. 0 represents parent company.
2. Subsidiaries are numbered in a sequence of Arabic numerals from 1 based on company category.

Note2: With the transaction the relationship between person types is as follows

1. Parent company to Subsidiary
2. Subsidiary to Parent company
3. Subsidiary to Subsidiary

## 12. OPERATING SEGMENTS INFORMATION

### (A) General Information

#### a. Factors determining reportable segment

The Company's reportable segment is determined based on different business units, thus should be managed separately.

#### b. Source of revenue from each reportable segment

The four major reportable segments of the Company comprise financial holding, banking, securities (and its subsidiaries) and other businesses.

**JIH SUN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

The main operation of the financial holding company comprise investment banking, bills financing, credit cards, insurance, securities, futures, venture capital, investment of overseas financial institutions and other financial related businesses approved by the competent authority.

The main operation of the bank include general deposits, extending loans, acting as collection agent, and investing in government bonds, stocks, short-term bills, securities, financial debentures, and other businesses approved by the competent authority of the Central Government. The trust business includes domestic and overseas fund purchases and sales entrusted by customers, employee investments and trust.

The main operation of the securities include securities brokerage, securities trading, securities underwriting, securities margin purchases and short sales, stock transaction agency services, futures trading, and auxiliary services for futures trading and stock warrant issuance.

The other main businesses include property and life insurance agency.

(B) Gains/losses of operating segments and valuation of assets

Accounting treatments applied to business segments are consistent with the significant accounting policies used by the external reports. The Company assesses the operating performance based on earnings before tax.

| 2011                                   | Financial Holding    | Banking            | Consolidate Securities | Others         | Adjustment & Write-off | Total              |
|--|----------------------|--------------------|------------------------|----------------|------------------------|--------------------|
| Income                                 |                      |                    |                        |                |                        |                    |
| Income from external customers         | \$ 37,918            | 6,874,346          | 5,426,772              | 308,448        | -                      | 12,647,484         |
| Intra-departmental income              | 2,276,396            | 285,665            | 266,613                | -              | (2,828,674)            | -                  |
| <b>Total Income</b>                    | <b>\$ 2,314,314</b>  | <b>7,160,011</b>   | <b>5,693,385</b>       | <b>308,448</b> | <b>(2,828,674)</b>     | <b>12,647,484</b>  |
| Provision for bad debt expenses        | \$ -                 | 691,542            | 885                    | -              | -                      | 692,427            |
| Personnel expenses                     | \$ 76,030            | 1,451,266          | 1,891,203              | 19,722         | -                      | 3,438,221          |
| Depreciation and Amortization expenses | 663                  | 237,869            | 106,635                | 206            | -                      | 345,373            |
| Other Business and Management expense  | 33,989               | 1,231,049          | 1,055,025              | 5,038          | (247,825)              | 2,077,276          |
| <b>Total Operating Expenses</b>        | <b>\$ 110,682</b>    | <b>2,920,184</b>   | <b>3,052,863</b>       | <b>24,966</b>  | <b>(247,825)</b>       | <b>5,860,870</b>   |
| Profit or loss                         | <b>\$ 2,106,440</b>  | <b>1,665,295</b>   | <b>667,152</b>         | <b>36,162</b>  | <b>(2,306,086)</b>     | <b>2,168,963</b>   |
| Capital Expense                        | <b>\$ 1,679</b>      | <b>69,688</b>      | <b>149,752</b>         | <b>714</b>     | <b>(29,641)</b>        | <b>192,192</b>     |
| Total Assets                           | <b>\$ 37,564,451</b> | <b>207,221,180</b> | <b>44,122,311</b>      | <b>96,645</b>  | <b>(40,771,321)</b>    | <b>248,233,266</b> |
| Total Liabilities                      | <b>\$ 7,027,090</b>  | <b>190,828,762</b> | <b>23,906,094</b>      | <b>48,124</b>  | <b>(4,140,644)</b>     | <b>217,669,426</b> |

**JIH SUN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

| 2010                                   | Financial<br>Holding | Banking            | Consolidate<br>Securities | Others         | Adjustment<br>& Write-off | Total              |
|--|----------------------|--------------------|---------------------------|----------------|---------------------------|--------------------|
| Income                                 |                      |                    |                           |                |                           |                    |
| Income from external customers         | \$ 52                | 5,793,592          | 6,411,485                 | 337,788        | -                         | 12,542,917         |
| Intra-departmental income              | 3,055,383            | 324,405            | 263,636                   | 72             | (3,643,496)               | -                  |
| <b>Total Income</b>                    | <b>\$ 3,055,435</b>  | <b>6,117,997</b>   | <b>6,675,121</b>          | <b>337,860</b> | <b>(3,643,496)</b>        | <b>12,542,917</b>  |
| Provision for bad debt expenses        |                      |                    |                           |                |                           |                    |
|  | \$ -                 | 568,970            | -                         | -              | -                         | 568,970            |
| Personnel expenses                     |                      |                    |                           |                |                           |                    |
|  | \$ 66,084            | 1,361,469          | 1,941,358                 | 19,752         | (5,500)                   | 3,383,163          |
| Depreciation and Amortization expenses |                      |                    |                           |                |                           |                    |
|  | 1,624                | 478,196            | 125,456                   | 134            | -                         | 605,410            |
| Other Business and Management expense  |                      |                    |                           |                |                           |                    |
|  | 39,819               | 1,111,791          | 1,085,167                 | 6,066          | (248,844)                 | 1,993,999          |
| <b>Total Operating Expenses</b>        | <b>\$ 107,527</b>    | <b>2,951,456</b>   | <b>3,151,981</b>          | <b>25,952</b>  | <b>(254,344)</b>          | <b>5,982,572</b>   |
| Profit or loss                         | <b>\$ 2,846,558</b>  | <b>675,764</b>     | <b>2,398,626</b>          | <b>31,754</b>  | <b>(3,083,657)</b>        | <b>2,869,045</b>   |
| Capital Expense                        | <b>\$ 1,007</b>      | <b>40,209</b>      | <b>75,708</b>             | <b>1,095</b>   | <b>-</b>                  | <b>118,019</b>     |
| Total Assets                           | <b>\$ 35,234,757</b> | <b>205,751,032</b> | <b>44,949,492</b>         | <b>116,876</b> | <b>(37,657,104)</b>       | <b>248,395,053</b> |
| Total Liabilities                      | <b>\$ 6,913,847</b>  | <b>192,494,421</b> | <b>23,996,609</b>         | <b>63,695</b>  | <b>(3,418,265)</b>        | <b>220,050,307</b> |

(C) Geographic segment information

The net revenue or identifiable assets coming from an offshore single country were less than 2% of the net revenue or total assets of the Company, and the sum of those were less than 10% of the net revenue or assets of the Company, thus there is no need to disclose the regional information.

(D) Information on major customers: No customer represents 10% or more of the Company's revenue in the statement of income for the years ended December 31, 2011 and 2010.