

JIH SUN SECURITIES CO., LTD.

FINANCIAL STATEMENTS

DECEMBER 31, 2008 AND 2007
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 SECURITIES CO., LTD.

FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

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(English Translation)
INDEPENDENT AUDITORS' REPORT

The Board of Directors
Jih Sun Securities Co., Ltd.

We have audited the accompanying balance sheets of Jih Sun Securities Co., Ltd. as of December 31, 2008 and 2007, and the related statements of income, changes in stockholders' equity, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express our opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above the first paragraph present fairly, in all material respects, the financial position of Jih Sun Securities Co., Ltd. as of December 31, 2008 and 2007, and the results of its operations and cash flows for the years then ended, in conformity with the "Criteria Governing the Preparation of Financial Reports by Securities Firms", the "Criteria Governing the Preparation of Financial Reports by Futures Commission Merchants", "Business Entity Accounting Act", "Regulation on Business Entity Accounting Handling" and Republic of China generally accepted accounting principles.

As described in the note 3 of the report, according to the second revised article of the Republic of China Statements of Financial Accounting Standards (SFAS) No. 34 "Financial Instruments: Recognition and Measurement," the Company reclassified its financial assets since July 1, 2008. As the result of the abovementioned change, the net income increased by \$83,594 thousand dollars and the earnings per share increased by \$0.07 dollars in 2008.

The details of significant accounting subjects disclosed in the financial statements as of 2008 are used to supply analysis, and they are audited by the procedure referred to in the second paragraph. In our opinion, the details are compiled according to the principles stated in last paragraph, and the contents about the financial statements stated in the first paragraph are presented fairly.

The Company has compiled the consolidated financial statements for the years 2008 and 2007 and we have issued a modified unqualified opinion with explanation paragraph about the effect of reclassification on financial assets and standard unqualified opinion, respectively.

KPMG
Taipei, Taiwan, R.O.C.
January 22, 2009

The accompanying financial statements are intended only to present the financial position, results of operation 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.

JIH SUN SECURITIES CO., LTD.
BALANCE SHEETS
DECEMBER 31, 2008 AND 2007
(expressed in thousands of New Taiwan dollars)

ASSETS	DECEMBER 31,				LIABILITIES AND STOCKHOLDERS' EQUITY	DECEMBER 31,			
	2008		2007			2008		2007	
	Amount	%	Amount	%		Amount	%	Amount	%
CURRENT ASSETS					CURRENT LIABILITIES				
Cash and cash equivalents (Notes 2(E)&4&25(B))	\$ 6,346,187	17	1,084,789	2	Short-term loans (Notes 1&25(B)&26)	\$ -	-	3,455,000	6
Financial assets measured at fair value through profit or loss current(Notes 2(F, G) · 5&24)	11,852,202	32	18,975,208	34	Commercial papers payable, net (Note 11)	-	-	4,104,939	7
Investments in redeemable bonds (Notes 2(H)&6&25(B))	880,246	3	1,154,430	2	Liabilities of bonds with repurchase agreements (Notes 2(H · 12&25(B))	12,572,228	33	15,791,061	28
Receivables from securities financing (Note 2(I))	6,902,920	18	22,341,004	40	Financial liabilities measured at fair value through profit or loss - current (Note 2(G,N)&13&24)	32,456	-	380,863	1
Refinancing margin (Note 2(I))	352	-	1,393	-	Securities financing refundable deposits (Note 2(I))	1,012,215	3	1,264,580	2
Refinancing collateral receivable(Note 2(I))	350	-	1,112	-	Deposits payable for securities financing (Note 2(I))	1,125,420	3	1,416,575	3
Receivables from short covering	9,661	-	-	-	Notes payable	-	-	-	-
Reposit paid for short covering	8,732	-	-	-	Accounts Payable	177,065	-	893,379	2
Notes Receivable (Note 2(J))	296	-	437	-	Advance receipts	36,802	-	93,406	-
Accounts Receivable (Note 2(J))	839,346	2	1,514,710	3	Receipts under custody	5,413	-	8,383	-
Accounts Receivable - related parties (Note 25(B))	16,305	-	13,730	-	Other payables(Note 2(S)&21&25(B))	1,143,646	3	2,558,152	5
Prepayments	71,440	-	62,729	-	long-term loans - current portion (Note 14&26)	1,000,000	3	-	-
Other receivables (Note 2(I)&25(B))	39,544	-	81,704	-					
Restricted assets -current(Notes 10&25(B)&26)	1,274,710	3	1,436,500	3					
Deferred income tax assets - current(Notes 2(S)&21)	6,449	-	4,334	-	LONG-TERM LIABILITIES				
Available-for-sale financial assets-current(Notes2(F, K)&7&24)	941,960	3	-	-	Bonds payable (Note 14&26)	-	-	1,000,000	2
	29,190,700	78	46,672,080	84	Long-term loans (Note 15&26)	1,338,114	4	4,195,959	8
						1,338,114	4	5,195,959	10
FUNDS AND LONG-TERM INVESTMENTS					OTHER LIABILITIES				
Long-term investment under equity method(Notes 2(K)&8(A))	3,386,631	9	2,929,233	5	Default indemnity reserve (Notes 2(O))	200,000	1	200,000	-
Available-for-sale financial assets- non-current(Notes21 · 8(B)&26)	1,405,992	4	1,327,661	2	Securities trading loss reserve(Notes 2(P))	17,505	-	8,430	-
	4,792,623	13	4,256,894	7	Guaranty deposits-in (Note 25(B))	7,460	-	7,377	-
					Accrued pension liabilities - non-current (Notes 2(Q)&18)	103,434	-	100,120	-
PROPERTY AND EQUIPMENT (Notes 2(L) · 9 · 14&26)					Other (Note 16)	28,870	-	28,870	-
Land	1,259,205	3	1,259,205	2		357,269	1	344,797	-
Buildings	568,404	2	568,404	1	TOTAL LIABILITIES	18,800,628	50	35,507,094	64
Office equipment	977,330	3	944,679	2	STOCKHOLDERS' EQUITY				
Prepayment for equipment	1,160	-	50,005	-	Capital stock (Note 19)	11,572,127	31	11,572,127	21
Leasehold improvements	469,254	1	469,677	1	Capital surplus - premium on stock issuance	1,298,456	3	1,298,456	2
	3,275,353	9	3,291,970	6	Retained Earnings(Ntoe 20)				
Less: Accumulated depreciator	(1,351,743)	(4)	(1,260,362)	(2)	Legal reserve	1,658,220	4	1,391,897	2
	1,923,610	5	2,031,608	4	Special reserve	4,016,734	11	3,481,254	6
					Unappropriated earnings	415,475	1	2,663,231	5
INTANGIBLE ASSETS					Cumulative translation adjustments (Note 8)	12,132	-	(15,202)	-
Other intangible assets (Note 2(M))	75,835	-	86,225	-	Unrealized loss on financial instruments (Note 2(K)&7&8)	(105,768)	-	(9,182)	-
					TOTAL STOCKHOLDERS' EQUITY	18,867,376	50	20,382,581	36
OTHER ASSETS					SIGNIFICANT COMMITMENTS AND CONTINGENCIES (Note 27)				
Operating deposits	860,000	2	875,000	2					
Securities settlement fund	423,880	1	430,774	1					
Guarantee deposits paid (Notes25(B) · 26&27)	148,202	-	176,421	-					
Deferred debits	126	-	55	-					
Restricted assets - non-current (Note 14&26)	-	-	60,000	-					
Deferred income tax assets-non- current(Notes 2(S)&21)	38,858	-	36,463	-					
Cash and cash equivalents - collection of stock warrant's strike price	8	-	950	-					
Cash and cash equivalents - collection of securities underwritten	8	-	9	-					
	1,471,082	3	1,579,672	3					
	214,154	1	1,263,196	2					
SECURITIES BROKERAGE DEBIT ACCOUNTS, NET (Note17)									
TOTAL ASSETS	\$ 37,668,004	100	55,889,675	100	TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 37,668,004	100	55,889,675	100

(See the accompanying notes to the financial statements)

JIH SUN SECURITIES CO., LTD.
STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007
(expressed in thousands of New Taiwan dollars, except for earnings per share)

	2008		2007	
	Amount	%	Amount	%
REVENUES (Note 2(T))				
Securities brokerage commissions (Note 25(B))	\$ 2,575,292	45	4,034,535	43
Underwriting commissions	49,232	1	92,032	1
Gain on sale of securities - dealer	-	-	487,270	5
Gain on sale of securities - underwriter	-	-	243,347	3
Securities registration and service fee (Note 25(B))	45,214	1	45,894	-
Interest income (Note 25(B))	1,387,888	24	1,868,532	20
Dividend income	117,907	2	212,883	2
Valuation gain on operating securities - dealer	42,045	1	-	-
Valuation gain on operating securities - hedge	-	-	39,527	-
Gain from short covering and securities transactions - RS short covering	-	-	21,884	-
Gain on issuance of stock warrants	114,523	2	523,232	6
Commission revenue for futures (Note 25(B))	177,449	3	165,700	2
Gain on financial derivative instruments - future (Note 24)	533,292	10	946,982	10
Gain on financial derivative instruments - O.T.C. (Note 24)	19,566	-	-	-
Other operating income	20,644	-	33,024	-
Non-operating income (Note 8&25(B))	610,445	11	719,994	8
	5,693,497	100	9,434,836	100
EXPENSES				
Handling charges (Note 25(B))				
Brokers	147,520	3	225,549	2
Dealers	8,559	-	15,530	-
Refinancing	185	-	194	-
Loss on sale of securities - dealer	383,073	7	-	-
Loss on sale of securities - underwriter	46,781	1	-	-
Loss on sale of securities - hedging	117,277	2	362,568	4
Interest expense (Note 25(B))	236,712	4	376,560	4
Valuation loss on operating securities - dealer	-	-	22,002	-
Valuation loss on operating securities - underwriter	43,667	1	12,626	-
Valuation loss on operating securities - hedging	36,465	1	-	-
Loss from short covering and securities transactions - RS short covering	68,465	1	-	-
Loss on adjustment from short covering and securities transactions	109	-	-	-
Expense for warrants issued	3,100	-	5,646	-
Clearing fee	2,140	-	2,686	-
Loss on financial derivative instruments - future (Note 24)	543,424	10	1,000,087	11
Loss on financial derivative instruments - O.T.C. (Note 24)	-	-	174,542	2
Operating expenses (Note 25(B))	2,809,000	49	3,411,020	36
Other operating expense	378	-	1,291	-
Non-operating expense (Note 25(B))	472,804	8	462,651	5
	4,919,659	87	6,072,952	64
INCOME BEFORE INCOME TAX	773,838	13	3,361,884	36
Income tax expense (Note 2(S)&21)	358,363	6	698,653	7
NET INCOME	\$ 415,475	7	2,663,231	29
	Before income tax	After income tax	Before income tax	After income tax
Primary earnings (loss) per share (Note 2(U)&22)	\$ 0.67	0.36	2.91	2.30

(See the accompanying notes to the financial statements)

JIH SUN SECURITIES CO., LTD.
STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007
(expressed in thousands of New Taiwan dollars)

	<u>Retained Earnings</u>					<u>Cumulative translation adjustments</u>	<u>Unrealized loss on financial instruments</u>	<u>Total</u>
	<u>Capital stock</u>	<u>Capital Surplus</u>	<u>Legal reserve</u>	<u>Special reserve</u>	<u>Unappropriated earnings</u>			
Balance, January 1, 2007	\$ 11,572,127	1,298,456	1,242,009	3,175,130	1,498,879	(3,464)	(6,348)	18,776,789
Legal reserve	-	-	149,888	-	(149,888)	-	-	-
Special reserve	-	-	-	306,124	(306,124)	-	-	-
Cash dividend	-	-	-	-	(1,023,375)	-	-	(1,023,375)
Employee bonus	-	-	-	-	(10,492)	-	-	(10,492)
Compensation of directors and supervisors	-	-	-	-	(9,000)	-	-	(9,000)
Cumulative translation adjustments	-	-	-	-	-	(11,738)	-	(11,738)
Unrealized income (loss) of financial instruments	-	-	-	-	-	-	(2,834)	(2,834)
Net income for January 1 to December 31, 2007	-	-	-	-	2,663,231	-	-	2,663,231
Balance, December 31, 2007	<u>11,572,127</u>	<u>1,298,456</u>	<u>1,391,897</u>	<u>3,481,254</u>	<u>2,663,231</u>	<u>(15,202)</u>	<u>(9,182)</u>	<u>20,382,581</u>
Legal reserve	-	-	266,323	-	(266,323)	-	-	-
Special reserve	-	-	-	535,480	(535,480)	-	-	-
Cash dividend	-	-	-	-	(1,833,814)	-	-	(1,833,814)
Employee bonus	-	-	-	-	(18,614)	-	-	(18,614)
Compensation of directors and supervisors	-	-	-	-	(9,000)	-	-	(9,000)
Cumulative translation adjustments	-	-	-	-	-	27,334	-	27,334
Unrealized income (loss) of financial instruments	-	-	-	-	-	-	(96,586)	(96,586)
Net income for January 1 to December 31, 2008	-	-	-	-	415,475	-	-	415,475
Balance, December 31, 2008	<u>\$ 11,572,127</u>	<u>1,298,456</u>	<u>1,658,220</u>	<u>4,016,734</u>	<u>415,475</u>	<u>12,132</u>	<u>(105,768)</u>	<u>18,867,376</u>

(See the accompanying notes to the financial statements)

JIH SUN SECURITIES CO., LTD.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007
(expressed in thousands of New Taiwan dollars)

	<u>2008</u>	<u>2007</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 415,475	\$ 2,663,231
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation	145,753	155,864
Amortization	24,214	44,186
Valuation loss (gain) on open-end mutual funds and money market instruments	(11,250)	42,674
Valuation loss (gain) on operating securities	38,087	(4,899)
Provision (reversal) for securities trading loss reserve	9,075	(14,866)
Investment gain- equity method	(231,676)	(215,731)
Loss on disposal of properties	8,898	8,170
Changes in operating assets and liabilities		
Financial assets measured at fair value through profit or loss - current	6,070,615	6,327,238
Investments in redeemable bonds	274,184	5,646,809
Receivables from securities financing, net	15,438,084	(3,493,696)
Refinancing margin	1,041	9,020
Refinancing collateral receivable	762	16,440
Receivables from short covering	(9,661)	-
Reposit paid for short covering	(8,732)	-
Notes receivable	141	7,437
Accounts receivable	672,789	(155,845)
Prepayments	(8,711)	(40,883)
Other receivables	42,160	(53,656)
Deferred income tax assets - current	(2,115)	(1,119)
Deferred income tax assets - non-current	(2,395)	-
Cash and cash equivalents - collection of stock warrant's strike price	942	2,414
Cash and cash equivalents - collection of securities underwritten	1	184,841
Security brokerage debit (credit) accounts, net	1,049,042	(1,235,273)
Liabilities of bonds with repurchase agreements	(3,218,833)	(10,154,083)
Financial liabilities measured at fair value through profit or loss - current	(348,407)	(391,258)
Securities financing refundable deposits	(252,365)	(472,532)
Deposits payable for securities financing	(291,155)	(543,538)
Notes payable	-	(6,216)
Accounts payable	(716,314)	(151,366)
Advance receipts	(56,604)	76,913
Receipts under custody	(2,970)	(4,678)
Other payables	(1,414,506)	1,076,741
Other financial liabilities - current	-	(281,278)
Accrued pension liabilities	3,314	10,744
Collection of securities underwritten	-	(184,761)
Net cash provided by (used in) operating activities	<u>17,618,883</u>	<u>(1,132,956)</u>

JIH SUN SECURITIES CO., LTD.
STATEMENTS OF CASH FLOWS (CONT'D)
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007
(expressed in thousands of New Taiwan dollars)

	<u>2008</u>	<u>2007</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease in restricted assets	221,790	422,816
Increase in long-term investment under equity method	(211,380)	-
Decrease (increase) in available-for-sale financial assets - non-current	(78,331)	7,020
Acquisition of property and equipment	(54,680)	(91,316)
Proceeds from disposal of properties	16	93
Decrease in operating deposits	15,000	-
Increase in settlement fund	6,894	(20,152)
Decrease (increase) in guarantee deposits paid	28,219	(30,336)
Increase in intangible asset, net	(5,794)	(9,930)
Increase in deferred debits, net	(90)	-
Net cash provided by (used in) investing activities	<u>(78,356)</u>	<u>278,195</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in short-term loans	(3,455,000)	(3,720,000)
Increase (Decrease) in commercial paper payable, net	(4,104,939)	3,062,881
Decrease in guaranty deposits-in	83	(363)
Increase (Decrease) in long-term loans	(2,857,845)	2,206,948
Cash dividend distributed	(1,833,814)	(1,023,375)
Compensation of directors and supervisors, and employee bonus	(27,614)	(19,492)
Net cash provided by (used in) financing activities	<u>(12,279,129)</u>	<u>506,599</u>
Net increase (decrease) in cash and cash equivalents	5,261,398	(348,162)
Cash and cash equivalents, beginning of period	1,084,789	1,432,951
Cash and cash equivalents, end of period	<u>\$ 6,346,187</u>	<u>1,084,789</u>
SUPPLEMENTARY DISCLOSURES OF CASH FLOW INFORMATION		
Interest paid during the year	<u>\$ 272,298</u>	<u>397,782</u>
Income tax paid during the year	<u>\$ 826,316</u>	<u>404,905</u>
OPERATING ACTIVITIES NOT AFFECTING CASH FLOWS		
Reclassification from financial assets measured at fair value through profit or loss- current to available-for-sale financial assets-current	<u>\$ 1,045,859</u>	<u>-</u>
Loss on adjustment of available-for-sale financial assets recorded in stockholders' equity	<u>\$ 83,594</u>	<u>-</u>

(See the accompanying notes to the financial statements)

JIH SUN SECURITIES CO., LTD.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007

(expressed in thousands of New Taiwan dollars, unless otherwise stated)

(1) ORGANIZATION AND OPERATIONS

Jih Sun Securities Co., Ltd. (the “Company”) was established in December 1961 and engages in the activities of securities brokerage, securities dealing, securities underwriting, securities financing, stock transaction handling, futures dealing, and auxiliary services for futures trading and stock warrant issuance.

In order to increase market share and competitiveness, the Board of Directors on April 22, 2002, resolved that the Company as the surviving company would merge with Yuan Xin Securities Co., Ltd., and upon the resolution of the Board of Directors’ meeting, the Company acquired the operating assets and operating rights of Hemei Securities Co., Ltd. and Toufen Securities Co., Ltd. As of December 31, 2008, the Company had established 46 branches.

Moreover, in order to extend the scale of operation and increase the synergy of financial institutions, the December 14, 2001, extraordinary shareholders’ meeting announced an exchange of shares with “Jih Sun International Bank Ltd.” and its transformation into a subsidiary of “Jih Sun Financial Holding Limited Co.” by transfer of shares on February 5, 2002, the date fixed for transfer of shares.

Parent company: Jih Sun Financial Holding Limited Co.

The number of employees : 1,833

(2) SIGNIFICANT ACCOUNTING POLICIES

The Company’s financial statements were prepared in accordance with the “Criteria Governing the Preparation of Financial Reports by Securities Firms”, the “Criteria Governing the Preparation of Financial Reports by Futures Commission Merchants”, “Business Entity Accounting Act”, “Regulation on Business Entity Accounting Handling”, and generally accepted accounting principles of the Republic of China. A summary of significant accounting policies and the measurement basis is as follows:

(A) Estimate of Accounting

The Company’s financial statements were prepared in accordance with generally accepted accounting principles. The company had to use the reasonable amount of estimation for allowance for doubtful accounts, pension, asset impairment, default indemnity reserve, securities trading loss reserve, etc. Because estimation was usually judged under the uncertain condition, it probably had the difference from future actual effect.

JIH SUN SECURITIES CO., LTD.
NOTES TO FINANCIAL STATEMENTS (CONT'D)

(B) Asset Impairment

Effective from 2005, the Company adopted Statement of Financial Accounting Standards No. 35 (SFAS No. 35) "Impairment of Assets". In accordance with SFAS No. 35, the Company assesses at each balance sheet date whether there is any indication that an asset (individual asset or cash-generating unit other than goodwill) may have been impaired. If any such indication exists, the Company estimates the recoverable amount of the asset. The Company recognizes impairment loss for an asset whose carrying value is higher than the recoverable amount.

The Company reverses an impairment loss recognized in prior periods for assets other than goodwill if there is any indication that the impairment loss recognized no longer exists or has decreased. 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 in prior periods.

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

The company recorded the transactions in NT dollars. The non-derivative foreign currency transactions of the Bank are recorded at the rate of exchange prevailing on the date of the transaction. Monetary assets and liabilities denominated in foreign currency translated into the functional currency at the rate of exchange ruling at the balance sheet date. Any resulting exchange differences are included in the income statement.

Since January 1, 2006, In compliance with the revised article of SFAS NO.34 "the accounting principle of translation in foreign currency," the Company measured non-monetary assets and liabilities in foreign currency at historical cost. But non-monetary assets and liabilities measured at fair value in a foreign currency are translated at the rate of exchange ruling at the balance sheet date. Any exchange differences resulting from fair value variation through profit and loss are included in the income statement, and exchange differences resulting from fair value variation through equity are accounted for under equity adjustments.

The foreign operating institutions with equity-method are all recorded by functional currency. The components of their stockholders' equity are translated at the historical rate with difference reflected as cumulative translation adjustments to stockholders' equity. The adjustments will be combined to the profit or loss when the foreign operating institution is sold out or under liquidation.

(D) Classification of Assets and Liabilities as Current or Non-current

Current assets are those which will be converted into cash or be used up in one year. Other assets are classified as non-current assets. Current liabilities are those which will be paid off in one year. Other liabilities are classified as non-current liabilities.

(E) Cash and Cash Equivalents

Cash and cash equivalents include cash, bank accounts, and short-term investments which could be converted to cash anytime and which do not have a significant level of market risk related to potential interest rate changes.

JIH SUN SECURITIES CO., LTD.
NOTES TO FINANCIAL STATEMENTS (CONT'D)

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

The company adopted SFAS No. 34 "Accounting for Financial Instruments" commencing from January 1, 2006. The company adopted transaction-date accounting for financial instrument transactions. At the beginning of recognition, financial instruments are evaluated at fair value.

Financial assets measured at fair value through profit or loss – current refer to financial assets held for trading or designated to be measured by fair value and the change in fair value is recognized through profit or loss.

Financial assets held for trading means financial instruments referred as trading purpose at the beginning of recognition. Financial assets - trading included the following:

- (a) The main purpose is to sell or repurchase in the short run.
- (b) Belongs to the part of identified financial instrument combination. The significant evidence reveal that combination would gain in the short run
- (c) Financial derivative instruments (except for financial guaranteed contract and derivative instruments of effective hedging)

Financial assets held for trading should be classified as open-end funds and money market instrument , trading securities and derivative instruments.

Trading securities are those that are bought from the dealer department or underwritten by the underwriting department and that have not been re-sold by the Company. Any trading securities that are under agreements to repurchase or restricted should be noted.

Financial assets at fair value through profit or loss, other than emerging stocks evaluated by cost method , shall be measured at their fair value, which is the market closing price at 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 and the cost of investment shall be recalculated by applying the weighted-average method.

The Company reclassified the financial assets at fair value through profit or loss (not belong to derivative instruments) 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.

JIH SUN SECURITIES CO., LTD.
NOTES TO FINANCIAL STATEMENTS (CONT'D)

(G) Financial Derivative instruments

The accounting of the financial derivative instruments held by the company were as follows :

(a) The transaction deposits or right fees which are paid or received from futures department which engages in futures – dealer and option transaction business and the amount of the change of guaranty deposits or right fee from unclosed position which raises by evaluation day-to-day are recorded as the “Deposits for future transaction”, “Call options-speculation”, or “Put Options- speculation”, respectively. The settled difference from futures and option transaction business on closed position is regarded as current loss or gain, and the difference between settled price and averaged price on the part of unwrite off is regarded as current loss or gain.

(b) Interest rate swaps

Because there is no physical transfer of principal, only memo entries are made on the contract date. The interest difference on interest rate swaps contract not for trading serves as the current profit or loss. Interest rate swaps contracts for trading are recognized the fair value in the balance sheet. The changes of the fair value are recognized as current profit or loss whether the changes were realized or unrealized or not.

(c) Convertible bonds asset swaps and options

Convertible bonds asset swaps are the deal of financial derivative instruments proceeded with the transaction related people on the deal target of the convertible bonds which are acquired by underwriters or held by dealers. The contract, signed by each other, regulates that the sum of the deal sold to the transaction related people is regarded as the nominal principal of the contract, during the period of the contract it will be put into practice to exchange the appointed interest compensation for the bond interest and the interest indemnity with the transaction related people, and the company has the right to purchase the convertible bonds asset at any time before the due contract date.

The right of convertible bond with repurchase from the former assets swaps transaction which is recorded as the asset swap option can not only be sold to the third party but also be sold to the related people of the transaction.

(d) Equity-linked notes assets – options

Equity-linked notes assets – options were evaluated according to the fair value. The fair value of the options was computed according to the model of option valuation.

(e) Principal guaranteed product

Principal guaranteed product are the discounted value which is computed by projected interest rate (contract principal × guaranteed principal rate). The implied interest expenses of the discounted value which are amortized by interest method during the

JIH SUN SECURITIES CO., LTD.
NOTES TO FINANCIAL STATEMENTS (CONT'D)

contract periods are regarded as loss or gain for principal guaranteed product.

(f) Bond options

The company recognizes the executable nominal principal of the option recorded by memo entries during the contract period which are evaluated by fair value method at the end of the period as current loss or gain. If because of the execution of option, the target bond needs to be received or be delivered, we should recognize revenue on sale of securities or acquired bond cost according to the fair value of the bond and the price which is calculated according to the rate of executing contract is recorded as receivable or payable.

(H) Investments in Redeemable Bonds and Liability of Bonds with Repurchase Agreements

The financing method is adopted to account for bond transactions with terms to redeem and repurchase. Sales of bonds with repurchase terms for financing purposes are recorded as "repurchaseable bonds payable." Upon execution of repurchase terms, the difference between the financing amount and repurchase price is recorded as interest expense. Purchases of redeemable bonds for financing purposes are recorded as "redeemable bond investments." Upon execution of redemption terms, the difference between the resale price and financing amount is recorded as interest income.

(I) Margin loans, financing securities, and refinancing

For margin loans undertaken by the Company, the amount financed by the investors for the purchase of securities is recorded as receivable for margin loans. Such loans are secured by the securities purchased by investors, which are not reflected in the financial statements. These securities are returned to the investors when the financing loans are repaid.

For securities financing transactions, the deposit on securities financing is recorded as securities financing guarantee deposit-in. Proceeds from sale of mortgaged securities, less any dealing commission, financing commission, and security exchange tax, are held by the Company as collateral and recorded as deposit payable for securities financing. Margin deposits and short sale proceeds are refunded to investors upon the repayment of the loans.

If it has insufficient cash flow when undertaking margin loans, the Company obtains refinancing from the securities financing companies. Such financing is recorded as refinancing deposit receivable. Similarly, if it has insufficient securities position to undertake securities refinancing, the Company borrows securities from the securities financing companies. The deposits on the securities borrowed are recorded as margin deposits. The proceeds from the sale of mortgaged securities are held by the securities financing companies as collateral and are recorded as refinancing deposit receivable.

JIH SUN SECURITIES CO., LTD.
NOTES TO FINANCIAL STATEMENTS (CONT'D)

Pursuant to Securities and Futures Bureau (SFB) (88) Ruling Letter No. 82416, whenever the collateral maintenance ratio of any customer's margin account is lower than the limit set by the government, after disposal; 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 accounts. If the securities in a customer's margin account cannot be disposed of, then the receivables for securities provided as collateral should be recognized as other receivables or overdue accounts.

(J) Allowances for Doubtful Accounts

Allowance for doubtful accounts is provided by assessing the collectibility of the notes and accounts receivable at year-end.

(K) Funds and Investments

(a) Long-term equity investments under the equity method

Invest in which the company and its subsidiaries directly or indirectly, hold more than 20% of the outstanding stock with voting power, or hold less than 20% of outstanding stock with voting power but has significant influence over the invest 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 and loss based on the percentage of sales.

If the company has control over the invested company, the parent-subsidary relation is formed. In addition to valuation by equity method, the company should prepare the consolidated financial statements in compliance with SFAS NO.7.

(b) Available-for-sale financial assets

Available-for-sale financial assets are measured in fair value, and the change will be viewed as adjustments of the stockholder's equity. If there is an objective evidence of impairment, the loss of impairment will be recognized. If the impairment amount is deducted in subsequent periods, there is no reversal in such situation.

Under this account, assets should be classified as stocks, bonds, and funds, and any related restriction should be disclosed. Available-for-sale financial assets, other than specified, should be evaluated at fair value, and changes in their fair value should be recorded in the shareholders' equity adjustment account.

Unlisted or non-OTC stocks over which the Company does not have significant influence shall be classified as available-for-sale financial assets and valued at cost.

JIH SUN SECURITIES CO., LTD.
NOTES TO FINANCIAL STATEMENTS (CONT'D)

(L) Fixed Assets and Depreciation

Property and equipment are stated at cost and evaluated at cost less accumulated depreciation. Major additions, improvements, and replacements are capitalized, while repairs and maintenance are recorded as current expense when incurred. Gain/loss upon disposal of fixed assets is recognized currently.

Depreciation of property and equipment is calculated by the straight-line method over the estimated useful lives as stipulated by the government in the following schedule. For property and equipment still in use after full depreciation, estimated salvage value may continue to be depreciated over their estimated useful lives.

Buildings	10 to 55 years
Office equipment	3 to 10 years
Leasehold improvement	3 to 15 years

(M) Intangible Assets

Effective from January 1, 2007, the Company adopted Statement of Financial Accounting Standards No. 37 (SFAS No. 37) "Intangible Assets". In accordance with SFAS No. 37, an intangible asset shall be measured initially at cost. After initial recognition, 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.

The depreciable amount of capitalized development expenditure is determined after deducting its residual value. Amortization is recognized as an expense on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use. The estimated useful lives for the current and comparative periods are as follows:

1. Computer Software 3 – 5 years
2. Operating Right 5 years

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

The company adopted SFAS No. 34 "Accounting for Financial Instruments" commencing from January 1, 2006. The financial instruments the company held was financial assets at fair value through profit or loss.

The company adopted transaction-date accounting for financial instrument transactions. At the beginning of recognition, financial instruments are evaluated at fair value. Except for trading-purpose financial instruments, acquisition cost or issuance cost is added to the original recognized amount.

Financial liabilities measured at fair value through profit or loss are those whose changes in fair value are charged to the income statement.

JIH SUN SECURITIES CO., LTD.
NOTES TO FINANCIAL STATEMENTS (CONT'D)

Trading-purpose financial liabilities include the following:

- (a) Those sold principally for the purpose of repurchasing them in the near term.
- (b) Part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking.
- (c) Derivative liabilities.
- (d) Pecuniary and securities financing and refinancing.
- (e) The subsequent evaluation of the financial assets have been estimated at fair value and its fair value was negative.

The subject was classified as financing securities, stock warrants, short covering and derivative financial instruments, etc. The derivative financial instruments liabilities refer to the liabilities from the brokers' engagement in domestic and foreign financial instrument transactions.

Proceeds received from issuing stock warrants are recorded as liabilities for issuance of call warrants in the accompanying non-consolidated balance sheets. These stock warrants are recorded as liabilities for issuance of call warrants to repurchase if the Company is allowed to repurchase those warrants from the market. Liabilities for issuance of call warrants and liabilities for issuance of call warrants to repurchase are valued at market value on the balance sheet date. The decrease in such liabilities is recognized as a gain on issuance of call warrants. As stipulated in SFC regulations, the increase in liabilities for issuance of call warrants is deferred but not recorded as a loss in the current period if such an increase is less than the unrealized gain on evaluation of operating securities – hedging. The company use the fair-value method to recognize the income (or loss) before the stock warrants matured. The issuer can take the cash settlement method if the investor do not exercise until the due date on the basis of NO.0920102843; if do not have the exercise-value, the call warrants will lose its efficiency. According to the exercise-value to exercise by cash, we need to add the market price of the call warrants. Then less the market price to recognize the revenue by moving-averaged method.

The company was engaged in the market-maker of stock-option. Due to the demand with the hedge and settlement of the stock-option transactions on the basis of NO.0920154924, we should recognized as the “Securities payable-hedging” and value with LCM method. The market price will been calculated on the date of the accounting period ended. The short covering should calculate by moving-averaged method and the gain from short covering should recognized as “Gain from short covering”.

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

(O) Default Indemnity Reserve

In compliance with the Regulations Governing Securities Firms, the Company provides on a monthly basis a default indemnity reserve of 0.0028% of securities brokerage commissions until the balance of the reserve reaches \$200,000 thousand, and records it as other liabilities. Such reserve may only be used to cover default losses from securities brokerage or otherwise upon MOF approval.

JIH SUN SECURITIES CO., LTD.
NOTES TO FINANCIAL STATEMENTS (CONT'D)

(P) Securities Trading Loss Reserve

In compliance with the Regulations Governing Securities Firms, the Company is required to periodically provide a securities trading loss reserve at a rate of 10% of net gain on dealing in operating securities and futures contracts until the balance of the reserve reaches \$200,000 thousand. Such reserve may only be used to offset the excess of trading loss over gain.

(Q) Pension Plan

The Company had a retirement plan covering all regular employees with contributions from both employer and employees. Monthly pension contributions amounting to 3% of total employee gross salaries were deposited in a designated pension fund bank account independently administered by the Pension Fund Administrative Committee. This retirement plan remained applicable until adoption of the Labor Standards Law, which was enacted on March 1, 1998.

Effective March 1998, the Company makes monthly pension contributions at 2.8% of employee gross salaries monthly (managers' contribution ratio is 4%) to a designated pension fund account with the Central Trust of China.

Commencing from December 31, 1995, the Company adopted SFAS No. 18, "Accounting for Pensions", and computed unrecognized transitional net assets or net benefit obligations when this statement was first applied. Effective in 1996, the unrecognized transitional net assets or net benefit obligations are amortized on a straight-line basis over the average remaining service period of employees still in service and expected to receive benefits, and should be included in the net pension cost. If the average remaining service period is less than 15 years, however, the employer may elect to use 15 years for amortization purposes. 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 Bank 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. However, the employee retirement plan maintained by the Company has not yet been amended to conform to this Act. Under SFAS No. 18 "Accounting for Pensions", an actuarial valuation of a pension asset or liability is performed on the balance sheet date, and a minimum pension liability is recorded in the financial statements based on difference between the accumulated benefit obligation and the fair value of plan assets. Net periodic pension cost recognized in accordance with SFAS No. 18 includes the current service cost, net transition asset or obligation, prior service cost and unrecognized gain (loss) on a pension plan which is amortized on straight-line basis over the expected average remaining service period of 15 years of the employees in accordance with the rules set by the SFB.

Pursuant to the Act, the Company also contributes cash at the rate of 6% of gross salary of each employee to the Council of Labor Affairs. This contribution is recognized as pension expenses for the current period when the contribution is actually made.

JIH SUN SECURITIES CO., LTD.
NOTES TO FINANCIAL STATEMENTS (CONT'D)

(R) Employee bonuses, Directors' and Supervisors' remuneration

The amounts of employee bonuses and directors' emoluments appropriated after January 1, 2008 are accounted for by Interpretation (96)052 issued by the Accounting Research and Development Foundation. The company also classifies the amounts to the suitable subject under operating expenses by the nature of them. Differences between the amount approved in the shareholders' meeting and recognized in the financial statements, if any, are accounted for as changes in accounting estimates and recognized as profit or loss.

(S) Income Tax

The Company adopted Statement of Financial Accounting Standards No. 22, "Accounting for Income Tax", and recognizes deferred income tax liabilities for future taxable temporary differences and deferred income tax assets for future deductible temporary differences, prior year loss carryforwards, 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, the 10% surtax on unappropriated earnings is recorded as current expense on the date of the stockholders' meeting to declare earnings distribution.

Further, the Company and the parent company, "Jih Sun Financial Holding Limited Co.", and its affiliate "Jih Sun International Bank Ltd." adopted the consolidated tax filing return principle to file the annual income tax return and make tax payment. With regard to the accounting policy under the consolidated tax filing return principle, the Company should comply with Accounting Research and Development Foundation Explanation (92) No. 240 issued on October 3, 2003. The total income tax expense and deferred income tax should be allocated reasonably and consistently to individual companies. The accrued receivable and payable between the parent company and subsidiaries are based on the consolidated tax filing return principle and should be recorded as "accounts receivable (payable)—related-party."

(T) Recognition of Revenue

Revenue is recognized when realized or deemed realizable and earned.

(U) Earnings per share

Earnings per share were calculated according to the weighted-average shares. In the case of capital increase through capitalization of retained earnings, capital surplus, or employee bonuses, EPS is retroactively adjusted.

(3) REASONS FOR AND EFFECT OF ACCOUNTING CHANGES

As of January 1, 2007, according to the Republic of China Statements of Financial Accounting Standards (SFAS) No. 37 "Accounting for Intangible Assets", during initial recognition, the computer software and operation right original classified are deferred debit items should be reclassified. As the result of adoption of SFAS No. 37, there is no effect on net income during the period.

JIH SUN SECURITIES CO., LTD.
NOTES TO FINANCIAL STATEMENTS (CONT'D)

As of January 1, 2008, SFAS No.39 “Accounting for fundamental stock offer” Republic of China Statements of Financial Accounting Standards (SFAS) and No.52 of Accounting Research and Development Foundation (96) was first adopted. Adopting the above regulations caused to the deduction of \$1000 thousand dollars on the net income after tax and \$0.0006 dollars on earnings per share. The adoption had no significant effects on profit and earnings per share for the year 2008.

According to the second revised article of the Republic of China Statements of Financial Accounting Standards (SFAS) No. 34 “Financial Instruments: Recognition and Measurement,” the Company reclassified its financial assets since July 1, 2008. As the result of the abovementioned change, the net income increased by \$83,594 thousand dollars and the earnings per share increased by \$0.07 dollars in 2008.

(4) CASH AND CASH EQUIVALENTS

	December 31,	
	2008	2007
Bank accounts:		
Savings accounts	\$ 148,645	117,999
Checking accounts	87,842	22,600
Time deposits	5,960,000	600,000
Cash equivalent:		
Commercial paper	149,700	344,190
Total	\$ 6,346,187	1,084,789

(5) FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31,	
	2008	2007
Open-end mutual funds and money market instruments	\$ 303,844	439,905
Operating securities - dealer	11,301,897	16,048,903
Operating securities - underwriter	5,775	908,609
Operating securities - hedging	-	841,838
Call options – speculation	2,200	13,967
Deposits for future transactions	225,378	721,986
Financial derivative instruments assets - O.T.C.	13,108	-
Total	\$ 11,852,202	18,975,208

JIH SUN SECURITIES CO., LTD.
NOTES TO FINANCIAL STATEMENTS (CONT'D)

(A) OPEN-END MUTUAL FUNDS AND MONEY MARKET INSTRUMENT

	December 31,			
	2008		2007	
	Cost	Market Value	Cost	Market Value
Open-end mutual funds and money market instruments	\$ 304,020	<u>303,844</u>	451,331	<u>439,905</u>
Adjustment in the valuation of open-end mutual funds and money market instruments	(176)		(11,426)	
Total	<u>\$ 303,844</u>		<u>439,905</u>	

(B) OPERATING SECURITIES – DEALER

	December 31,	
	2008	2007
Listed stocks and bonds	\$ 26,625	1,688,310
Over-the-counter stocks and bonds	16,747	453,821
Emerging stocks	241,360	518,682
Government bonds	8,391,498	9,448,957
Corporate bonds	2,125,599	2,738,543
Financial bonds	401,447	1,188,307
Subtotal	11,203,276	16,036,620
Adjustments in the valuation of operating securities - dealer	98,621	12,283
Net	<u>\$ 11,301,897</u>	<u>16,048,903</u>
Market value	<u>\$ 11,301,897</u>	<u>16,048,903</u>

As of December 31, 2008 and 2007, the operating securities-dealer amounted to \$10,868,344 thousand and \$13,605,800 thousand dollars were provided for repurchase agreements.

(C) OPERATING SECURITIES – UNDERWRITER

	December 31,	
	2008	2007
Listed stocks	\$ 237	351,034
Over-the-counter stocks and bonds	883	495,541
Unlisted stocks and bonds	24,719	27,433
Subtotal	25,839	874,008
Adjustments in the valuation of operating securities - underwriter	(20,064)	34,601
Net	<u>\$ 5,775</u>	<u>908,609</u>
Market value	<u>\$ 5,775</u>	<u>908,609</u>

JIH SUN SECURITIES CO., LTD.
NOTES TO FINANCIAL STATEMENTS (CONT'D)

(D) OPERATING SECURITIES – HEDGING

	December 31,	
	2008	2007
Listed stocks	\$ -	745,925
Over-the-counter stocks	-	59,448
Subtotal	-	805,373
Adjustments in the valuation of operating securities - hedging	-	36,465
Net	\$ -	841,838
Market value	\$ -	841,838

(6) INVESTMENT IN REDEEMABLE BONDS

	December 31,	
	2008	2007
Central Government Construction Bonds	\$ -	274,183
Financial bonds	880,246	880,247
Total	\$ 880,246	1,154,430

These bonds were made available for resale at an agreed amount of \$897,474 thousand and \$1,179,077 thousand dollars after December 31, 2008 and 2007, respectively.

(7) FINANCIAL ASSETS AVAILABLE FOR SALE - CURRENT

	December 31,	
	2008	2007
Financial Assets Available For Sale – Current –Dealer	\$ 315,439	-
Financial Assets Available For Sale – Current –underwriter	710,115	-
Adjustments in the valuation of Financial Assets Available For Sale	(83,594)	-
Total	\$ 941,960	-

JIH SUN SECURITIES CO., LTD.
NOTES TO FINANCIAL STATEMENTS (CONT'D)

(8) FUNDS AND LONG-TERM INVESTMENTS

(A) Long – term equity investment under equity method :

December 31,2008		
Valuation by equity method	Ownership %	Amount
Jih Sun Futures Co., Ltd. (original investment cost \$618,268 thousand)	98.138	\$ 1,233,231
Jih Sun International Investment Holding Company Limited (original investment cost \$1,795,250 thousand (US\$54,600 thousand))	100.00	1,703,647
Jih Sun Securities Investment Consulting Co., Ltd. (original investment cost \$173,600 thousand)	100.00	63,704
Jih Sun Futures Management Co., Ltd. (original investment cost \$200,000 thousand)	100.00	162,513
Jih Sun Securities Investment Trust Corp. (original investment cost \$211,380 thousand)	20.00	223,536
Subtotal		<u>\$ 3,386,631</u>

December 31, 2007		
Valuation by equity method	Ownership %	Amount
Jih Sun Futures Co., Ltd. (original investment cost \$618,268 thousand)	98.138	\$ 1,057,035
Jih Sun International Investment Holding Company Limited (original investment cost \$1,795,250 thousand (US\$54,600 thousand))	100.00	1,638,339
Jih Sun Securities Investment Consulting Co., Ltd. (original investment cost \$173,600 thousand)	100.00	66,015
Jih Sun Futures Management Co., Ltd. (original investment cost \$200,000 thousand)	100.00	167,844
Subtotal		<u>\$ 2,929,233</u>

As of December 31, 2008 and 2007, gain or loss of valuation on investment by equity method and cumulative translation adjustment of foreign currency valuation were as follows:

	2008	2007
Jih Sun Futures Co., Ltd. - gain on investment	<u>\$ 231,222</u>	<u>178,942</u>
Jih Sun International Investment Holding Company Limited - gain on investment	\$ 50,966	162,679
- cumulative translation adjustment	27,334	(11,738)
- unrealized loss on available-for-sale financial assets	(12,992)	(2,834)
Total	<u>\$ 65,308</u>	<u>148,107</u>
Jih Sun Securities Investment Consulting Co., Ltd. - gain on investment	<u>\$ 352</u>	<u>2,951</u>

JIH SUN SECURITIES CO., LTD.
NOTES TO FINANCIAL STATEMENTS (CONT'D)

	2008	2007
Jih Sun Futures Management Co., Ltd.		
- loss on investment	\$ (5,331)	(5,557)
Jih Sun Securities Investment Trust Corp.		
- gain on investment	\$ 23,076	-

The related compensatory events disclosed following “Criteria Governing the Preparation of Financial Reports by Securities Firms”: Note 31.

(B) Available-for-sale financial assets - non-current :

December 31, 2008		
Available-for-sale financial assets non-current	Ownership %	Amount
Taiwan Stock Exchange Corporation	3.00	\$ 586,067
Taiwan Securities Central Depository Co., Ltd.	1.74	43,789
Taiwan Futures Exchange Co., Ltd.	2.52	189,472
Fubon Securities Finance Co., Ltd.	1.97	74,542
Global Securities Finance Corporation	0.88	57,832
En Tie Securities Finance Co., Ltd.	0.24	12,444
Top Taiwan III Venture Capital Co., Ltd.	10.00	100,000
Parawin Venture Capital Corp.	6.00	60,000
Jih Sun Securities Investment Trust Co., Ltd. (Note 1)	-	-
Cotillion III Venture Capital Corp.	9.96	50,000
PK III Venture Corp.	9.29	65,000
Jih Sun Venture Capital Investment Company (Note 2)	-	-
Taiwan Integrated Shareholder Service Company	5.80	16,846
Hui Yang Venture Capital Group	7.69	150,000
Subtotal		\$ 1,405,992

December 31, 2007		
Available-for-sale financial assets non-current	Ownership %	Amount
Taiwan Stock Exchange Corporation	3.00	\$ 586,067
Taiwan Securities Central Depository Co., Ltd.	1.74	43,789
Taiwan Futures Exchange Co., Ltd.	0.74	15,212
Fubon Securities Finance Co., Ltd.	1.97	74,542
Global Securities Finance Corporation	0.88	57,832
En Tie Securities Finance Co., Ltd.	0.24	12,444
Top Taiwan III Venture Capital Co., Ltd.	10.00	100,000
Parawin Venture Capital Corp.	6.00	60,000
Jih Sun Securities Investment Trust Co., Ltd.	10.00	74,880
Cotillion III Venture Capital Corp.	9.96	50,000
PK III Venture Corp.	9.29	65,000
Jih Sun Venture Capital Investment Company	5.00	22,500
Taiwan Integrated Shareholder Service Company	5.27	15,395
Hui Yang Venture Capital Group	7.69	150,000
Subtotal		\$ 1,327,661

Note (1): In order to enhance the business development with Jih Sun Securities

JIH SUN SECURITIES CO., LTD.
NOTES TO FINANCIAL STATEMENTS (CONT'D)

Investment Trust Co., Ltd., the company increase its investment to 20 percent .As a result, it has become the company's long-term investment under equity method.

Note (2) : Jih Sun Venture Capital Investment Company has been liquidated in 2008.

Note (3) : The mortgage on available-for-sale financial assets-noncurrent is disclosed in Notes(27)

(9) FIXED ASSETS

<u>December 31, 2008</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net</u>
Land	\$ 1,259,205	-	1,259,205
Buildings	568,404	190,274	378,130
Office equipment	977,330	798,296	179,034
Prepayment for equipment	1,160	-	1,160
Leasehold improvements	469,254	363,173	106,081
Total	\$ 3,275,353	1,351,743	1,923,610

Note:

<u>December 31, 2007</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net</u>
Land	\$ 1,259,205	-	1,259,205
Buildings	568,404	179,292	389,112
Office equipment	944,679	744,232	200,447
Prepayment for equipment	50,005	-	50,005
Leasehold improvements	469,677	336,838	132,839
Total	\$ 3,291,970	1,260,362	2,031,608

(10) SHORT-TERM LOANS

<u>Nature of the loan</u>	<u>Amount</u>	<u>Interest rate</u>	<u>Credit line</u>	<u>Pledged assets</u>
December 31, 2007				
Credit loans	\$ 1,140,000	2.65%~3.23%	3,100,000	-
Mortgage loans	2,315,000	2.39%~3.1%	4,790,000	Time deposits and demand deposits
Total	\$ 3,455,000			

There is no short-term loan on December 31,2008.

JIH SUN SECURITIES CO., LTD.
NOTES TO FINANCIAL STATEMENTS (CONT'D)

(11) COMMERCIAL PAPER PAYABLE—NET

	December 31,	
	2008	2007
Commercial paper payable	\$ -	4,109,000
Less: Unamortized discount	-	(4,061)
Net	\$ -	4,104,939

The issuance period for commercial paper payable is within 365 days. The annual interest rates ranged from 1.30% to 4.65% during the year ended December 31, 2008 .

(12) LIABILITIES OF BONDS WITH REPURCHASE AGREEMENTS

	December 31,	
	2008	2007
Central Government Construction Bonds	\$ 9,177,047	10,732,813
Corporate bonds	2,114,671	2,947,697
Financial bonds	1,280,510	2,110,551
Total	\$ 12,572,228	15,791,061

Based on the repurchase agreements, after December 31, 2008 and 2007, the Company is obligated to repurchase the above bonds at the sales price plus a mark-up of \$12,595,926 thousand dollars and \$15,831,211 thousand dollars, respectively.

(13) FINANCIAL LIABILITIES MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS - CURRENT

	December 31,	
	2008	2007
Liabilities for stock warrants issued	\$ 37,580	1,038,706
Repurchased stock warrants	(33,335)	(888,439)
Put options liabilities – speculation	2,521	123,026
Payable for short covering-hedging	9,702	-
Payable for short covering-hedging-valuation adjustment	108	-
Financial derivative instruments liabilities - O.T.C	15,880	107,570
Total	\$ 32,456	380,863

JIH SUN SECURITIES CO., LTD.
NOTES TO FINANCIAL STATEMENTS (CONT'D)

(A) LIABILITIES FOR STOCK WARRANTS ISSUED

For the Year Ended December 31, 2008, the company issued liabilities for stock warrants :

December 31, 2008									
Name	Issuance Date	Underlying Stock	Units Issued	Issuance Price (Dollars)	Exercise Price (Dollars)	Market Value (Dollars)	Leverage Ratio	Issuance Amount	Market Value (Amount)
Jih Sun No. I3	June 25, 2008	WFH	20,000,000	\$ 0.925	9.11	0.010	10.109	18,500	200
Jih Sun No. I4	June 25, 2008	INNOLUX	20,000,000	1.363	60.36	0.010	8.364	27,260	200
Jih Sun No. I5	June 25, 2008	GCE	20,000,000	0.786	18.22	0.010	12.564	15,720	200
Jih Sun No. I6	June 25, 2008	CHONG HONG	20,000,000	2.140	74.63	0.010	7.776	42,800	200
Jih Sun No. I7	July 3, 2008	AL	20,000,000	2.339	53.39	0.010	8.241	46,780	200
Jih Sun No. I8	July 3, 2008	WINTEK Corp.	20,000,000	2.199	20.91	0.010	8.527	43,980	200
Jih Sun No. I9	July 3, 2008	TFC	20,000,000	1.672	129.53	0.010	6.609	33,440	200
Jih Sun No. J1	July 3, 2008	UPC	20,000,000	1.582	18.68	0.010	9.893	31,640	200
Jih Sun No. J2	July 14, 2008	HTC	20,000,000	0.746	445.28	1.520	9.210	14,920	30,400
Jih Sun No. J3	July 14, 2008	AUO	20,000,000	1.592	43.21	0.010	13.631	31,840	200
Jih Sun No. J4	July 14, 2008	GINTECH	20,000,000	3.414	265.80	0.010	5.859	68,280	200
Jih Sun No. J5	July 14, 2008	CHUNG HUNG	20,000,000	1.383	27.30	0.010	9.437	27,660	200
Jih Sun No. J6	July 15, 2008	FEDS	20,000,000	1.931	38.47	0.010	8.260	38,620	200
Jih Sun No. J7	July 15, 2008	GIANT	20,000,000	1.602	104.15	0.180	11.861	32,040	3,600
Jih Sun No. J8	July 15, 2008	CAL	20,000,000	1.134	12.78	0.010	9.392	22,680	200
Jih Sun No. J9	July 15, 2008	LARGAN	20,000,000	2.627	476.83	0.010	14.961	52,540	200
Jih Sun No. T8	June 26, 2008	GMT	10,000,000	2.259	175.38	0.010	6.729	22,590	100
Jih Sun No. T9	June 26, 2008	SMP	10,000,000	2.647	160.93	0.010	11.863	26,470	100
Jih Sun No. U1	June 26, 2008	IGS	10,000,000	2.577	221.08	0.010	9.391	25,770	100
Jih Sun No. U2	June 26, 2008	ASTRO Corp.	10,000,000	2.478	72.77	0.010	6.151	24,780	100
Jih Sun No. U3	July 4, 2008	YTEC	10,000,000	4.807	87.46	0.010	8.707	48,070	100
Jih Sun No. U4	July 4, 2008	PHISON	8,000,000	4.528	189.49	0.010	7.774	36,224	80
Jih Sun No. U5	July 4, 2008	VIS	12,000,000	1.642	22.28	0.010	12.668	19,704	120
Jih Sun No. U6	July 4, 2008	FIRICH	8,000,000	4.280	149.07	0.010	7.781	34,240	80
Subtotal								786,548	37,580
Less: Gain on revaluation of liabilities for stock warrants issued								(764,448)	
Add: Loss on revaluation of liabilities for stock warrants issued								15,480	
Net								37,580	

JIH SUN SECURITIES CO., LTD.
NOTES TO FINANCIAL STATEMENTS (CONT'D)

December 31, 2007

Name	Issuance Date	Underlying Stock	Units Issued	Issuance Price (Dollars)	Exercise Price (Dollars)	Market Value (Dollars)	Leverage Ratio	Issuance Amount	Market Value (Amount)
Jih Sun No. 76	Apr. 12, 2007	AUO	20,000,000	\$ 1.014	78.30	0.830	10.30	20,280	16,600
Jih Sun No. 77	Apr. 18, 2007	Inotera	30,000,000	0.975	56.85	0.010	7.78	29,250	300
Jih Sun No. 78	Apr. 25, 2007	HTC	35,000,000	0.795	735.75	1.430	6.173	27,261	49,035
Jih Sun No. 79	May 9, 2007	CMC	20,000,000	1.125	14.85	0.550	8.80	22,500	11,000
Jih Sun No. 80	May 17, 2007	CHB	20,000,000	1.473	28.65	0.010	12.97	29,460	200
Jih Sun No. 81	May 18, 2007	EVA AIR	20,000,000	1.125	19.05	0.170	11.29	22,500	3,400
Jih Sun No. 82	May 22, 2007	CCI	20,000,000	1.672	141.30	0.030	5.63	33,440	600
Jih Sun No. 83	May 23, 2007	Kimpo Electronic, Inc.	20,000,000	1.214	18.67	0.020	10.30	24,280	400
Jih Sun No. 84	May 24, 2007	SKFH	30,000,000	0.756	52.20	0.010	9.20	22,680	300
Jih Sun No. 85	May 30, 2007	Shinkong Synthetic	20,000,000	1.393	16.80	0.010	8.04	27,860	200
Jih Sun No. 87	June 6, 2007	NAN YA PLASTIC	20,000,000	1.951	97.65	5.550	16.70	37,284	106,061
Jih Sun No. 88	June 6, 2007	Far Eastern Textile	20,000,000	1.333	45.00	1.710	11.25	26,660	34,200
Jih Sun No. 89	June 8, 2007	MXIC	20,000,000	1.822	20.92	1.050	7.66	36,440	21,000
Jih Sun No. 90	June 8, 2007	Wintek	25,000,000	1.095	50.25	0.870	6.12	27,375	21,750
Jih Sun No. 91	June 14, 2007	ASIA Optical	20,000,000	1.393	237.00	0.010	11.34	27,860	200
Jih Sun No. 95	June 22, 2007	Sonix	20,000,000	1.343	145.50	0.010	7.22	26,860	200
Jih Sun No. 96	June 22, 2007	Cathay Financial Holdings	20,000,000	1.115	117.15	0.010	14.00	22,300	200
Jih Sun No. 97	June 27, 2007	CHIA HSIN CEMENT CORP.	20,000,000	1.343	35.10	0.010	8.90	26,860	200
Jih Sun No. 98	June 27, 2007	MediaTek Inc.	20,000,000	4.828	772.50	0.010	10.54	96,560	200
Jih Sun No. 99	July 5, 2007	Unitech	20,000,000	1.752	49.50	0.010	9.40	35,040	200
Jih Sun No. P5	Apr. 30, 2007	WAFER WORKS CORP.	12,000,000	2.159	150.75	7.250	4.66	25,908	87,000
Jih Sun No. P6	May 7, 2007	Etron Technology, Inc.	25,000,000	1.025	57.75	0.010	7.52	25,625	250
Jih Sun No. P7	May 10, 2007	FEC	20,000,000	1.144	750.00	0.350	0.229	22,880	7,000
Jih Sun No. P8	May 11, 2007	PXI	25,000,000	0.975	715.50	0.010	4.902	24,375	250
Jih Sun No. P9	May 25, 2007	ITEQ	30,000,000	1.433	58.20	0.050	5.42	42,990	1,500
Jih Sun No. Q2	May 29, 2007	Phison	35,000,000	0.866	567.00	0.010	4.637	30,310	350
Jih Sun No. Q4	June 7, 2007	CMEI	7,000,000	4.171	376.50	0.010	6.02	29,197	70
Jih Sun No. Q5	June 7, 2007	AAT	6,000,000	4.031	418.50	0.010	6.92	24,186	60
Jih Sun No. Q9	June 29, 2007	Simplo Technology	15,000,000	2.319	280.50	0.010	8.06	34,785	150
Jih Sun No R1	June 29, 2007	CHIPBOND	15,000,000	1.941	71.85	0.010	12.35	29,115	150
Jih Sun No R2	July 4, 2007	AIT	15,000,000	1.662	37.65	0.020	7.55	24,930	300
Jih Sun No R3	July 4, 2007	CCI	15,000,000	1.712	84.15	0.010	6.56	25,680	150
Jih Sun No R4	July 6, 2007	WAFER WORKS CORP	12,000,000	2.946	259.50	0.030	5.872	35,352	360
Jih Sun No R5	July 6, 2007	XAC	15,000,000	1.562	84.00	0.010	7.17	23,430	150
Jih Sun No R6	July 13, 2007	CHL Cheng Enterprise	15,000,000	1.602	153.75	0.020	6.398	24,030	300
Jih Sun No R7	July 13, 2007	TSMT	20,000,000	1.991	124.50	0.010	8.338	39,820	200
Jih Sun No R8	July 20, 2007	Motech	5,000,000	5.175	616.50	0.090	7.942	25,875	450
Jih Sun No R9	July 20, 2007	Chenfull	12,000,000	1.712	86.25	0.010	6.717	20,544	120
Jih Sun No A1	July 5, 2007	OSE	20,000,000	1.085	21.30	0.010	6.55	21,700	200
Jih Sun No A2	July 19, 2007	KYE	20,000,000	1.254	89.25	0.010	9.49	25,080	200
Jih Sun No A3	July 19, 2007	Taiwan Business Bank	20,000,000	1.015	17.25	0.040	11.33	20,300	800
Jih Sun No A4	July 26, 2007	Yuanta Group	25,000,000	1.403	33.82	0.180	8.036	35,075	4,500
Jih Sun No A5	July 26, 2007	China Airlines	20,000,000	1.045	23.55	0.090	15.024	20,900	1,800
Jih Sun No A6	Aug. 2, 2007	Tatung	25,000,000	0.965	25.50	0.050	8.808	24,125	1,250
Jih Sun No A7	Aug. 14, 2007	YULON	25,000,000	0.826	58.13	0.040	9.383	20,650	1,000
Jih Sun No A8	Aug. 14, 2007	RUENTEX	30,000,000	0.885	46.05	0.080	6.938	26,550	2,400
Jih Sun No A9	Aug. 23, 2007	Quanta	20,000,000	1.224	77.40	0.070	8.431	24,480	1,400
Jih Sun No S1	July 27, 2007	YUFO Electronic	15,000,000	1.751	110.70	0.060	8.429	26,265	900
Jih Sun No S2	July 27, 2007	ENFIELD MEDICAL CO., LTD.	15,000,000	1.861	117.00	0.030	8.383	27,915	450

JIH SUN SECURITIES CO., LTD.
NOTES TO FINANCIAL STATEMENTS (CONT'D)

Name	Issuance Date	Underlying Stock	Units Issued	Issuance Price (Dollars)	Exercise Price (Dollars)	Market Value (Dollars)	Leverage Ratio	Issuance Amount	Market Value (Amount)
Jih Sun No S3	Aug. 27, 2007	CMEI	8,000,000	3.135	267.75	0.010	5.694	25,080	80
Jih Sun No S4	Aug. 27, 2007	SDTI	7,000,000	2.258	162.00	0.050	4.783	15,806	350
Jih Sun No S5	Sept. 4, 2007	SAS	20,000,000	0.775	432.00	0.450	3.716	15,500	9,000
Jih Sun No S6	Sept. 4, 2007	WAFER WORKS CORP.	8,000,000	4.926	354.00	0.840	4.791	39,408	6,720
Jih Sun No S7	Nov. 7, 2007	FEC	5,000,000	7.265	639.75	4.270	5.871	36,325	21,350
Jih Sun No S8	Nov. 7, 2007	PXI	5,000,000	4.279	405	2.990	6.310	21,395	14,950
Jih Sun No B1	Aug. 23, 2007	MOSEL VITELIC INC.	25,000,000	0.945	71.48	0.020	5.042	23,625	500
Jih Sun No B2	Aug. 30, 2007	HTC	35,000,000	0.716	618.00	0.980	5.754	25,060	34,300
Jih Sun No B3	Aug. 30, 2007	HTC	20,000,000	0.646	206.00	0.080	6.378	12,920	1,600
Jih Sun No B4	Sept. 10, 2007	U-Ming	20,000,000	1.751	153.00	0.470	5.825	35,020	9,400
Jih Sun No B5	Sept. 10, 2007	YIEH PHUI	25,000,000	0.836	21.00	0.040	8.372	20,900	1,000
Jih Sun No B6	Sept. 13, 2007	REALTEK	20,000,000	2.488	247.50	0.330	7.708	49,760	6,600
Jih Sun No B7	Sept. 13, 2007	NOVATEK	20,000,000	1.771	204.75	0.200	6.632	35,420	4,000
Jih Sun No B8	Sept. 17, 2007	AUO	20,000,000	1.051	74.45	1.520	9.911	20,300	30,400
Jih Sun No B9	Sept. 17, 2007	SKFH	25,000,000	0.816	45.75	0.130	7.475	20,400	3,250
Jih Sun No C1	Sept. 26, 2007	CMO	20,000,000	1.493	52.80	2.020	11.788	29,860	40,400
Jih Sun No C2	Sept. 26, 2007	CHUNG HUNG	25,000,000	0.885	25.58	0.290	9.633	22,125	7,250
Jih Sun No C3	Sept. 26, 2007	CPDC	20,000,000	1.025	23.78	0.080	7.732	20,500	1,600
Jih Sun No C4	Sept. 26, 2007	ZINWELL	20,000,000	2.737	221.25	0.390	5.389	54,740	7,800
Jih Sun No C5	Sept. 28, 2007	Taiwan Cement Corporation	20,000,000	1.672	77.55	0.420	6.184	33,440	8,400
Jih Sun No C6	Sept. 28, 2007	CMFC	20,000,000	1.413	21.15	0.290	4.989	28,260	5,800
Jih Sun No C7	Sept. 28, 2007	EPISTAR	20,000,000	2.209	244.50	0.490	7.379	44,180	9,800
Jih Sun No C8	Oct. 4, 2007	APC	20,000,000	1.881	30.45	1.070	5.396	37,620	21,400
Jih Sun No C9	Oct. 4, 2007	FH	20,000,000	1.642	82.50	0.850	6.699	32,840	17,000
Jih Sun No D1	Oct. 4, 2007	ECS	20,000,000	1.990	30.68	0.160	5.138	39,800	3,200
Jih Sun No D2	Oct. 4, 2007	WAN HAI LINES LTD.	20,000,000	1.861	41.93	0.900	7.509	37,220	18,000
Jih Sun No D3	Oct. 22, 2007	ASUS	20,000,000	1.473	145.50	0.220	13.171	29,460	4,400
Jih Sun No D4	Oct. 22, 2007	HTC	20,000,000	5.972	940.50	0.740	10.499	119,440	14,800
Jih Sun No D5	Oct. 26, 2007	ASE	20,000,000	1.741	55.57	0.450	10.641	34,820	9,000
Jih Sun No D6	Oct. 26, 2007	MiTAC	20,000,000	1.244	62.25	0.300	6.673	24,880	6,000
Jih Sun No D7	Dec. 7, 2007	MediaTek Inc.	20,000,000	5.573	641.25	4.500	7.761	111,460	90,000
Jih Sun No D8	Dec. 7, 2007	HON HAI PRECISION	20,000,000	2.090	308.25	2.650	9.833	41,800	53,000
Jih Sun No D9	Dec. 7, 2007	CMO	20,000,000	2.448	66.75	3.610	9.090	48,960	72,200
Jih Sun No E1	Dec. 7, 2007	Cathay Financial Holdings	20,000,000	1.363	106.05	1.300	10.375	27,260	26,000
Jih Sun No E2	Dec.13, 2007	GIGA-BYTE TECHNOLOGY	20,000,000	1.025	31.87	1.400	10.366	20,500	28,000
Jih Sun No E3	Dec.13, 2007	SUNPLUS	20,000,000	1.303	78.75	1.620	8.059	26,060	32,400
Jih Sun No E4	Dec.13, 2007	ASIA OPTICAL	20,000,000	1.254	133.20	1.940	14.163	25,080	38,800
Subtotal								2,692,046	1,038,706
Less: Gain on revaluation of liabilities for stock warrants issued								(1,904,403)	
Add: Loss on revaluation of liabilities for stock warrants issued								251,063	
Net								1,038,706	

JIH SUN SECURITIES CO., LTD.
NOTES TO FINANCIAL STATEMENTS (CONT'D)

(B) REPURCHASED STOCK WARRANTS

	December 31, 2008		
	Repurchased Units	Amount	Market Value
Jih Sun No. I3	17,741,000	\$ 8,785	178
Jih Sun No. I4	19,742,000	10,884	198
Jih Sun No. I5	19,111,000	14,100	191
Jih Sun No. I6	19,538,000	21,572	196
Jih Sun No. I7	19,798,000	17,895	198
Jih Sun No. I8	10,945,000	4,302	110
Jih Sun No. I9	18,212,000	12,218	182
Jih Sun No. J1	19,573,000	9,293	196
Jih Sun No. J2	17,438,000	12,206	26,506
Jih Sun No. J3	19,987,000	20,320	200
Jih Sun No. J4	19,947,000	35,979	200
Jih Sun No. J5	19,536,000	12,187	195
Jih Sun No. J6	19,248,000	5,365	192
Jih Sun No. J7	19,984,000	10,752	3,597
Jih Sun No. J8	19,790,000	12,113	198
Jih Sun No. J9	17,043,000	42,222	170
Jih Sun No. T8	8,520,000	5,025	85
Jih Sun No. T9	6,299,000	701	63
Jih Sun No. U1	8,933,000	7,620	89
Jih Sun No. U2	8,448,000	11,283	84
Jih Sun No. U3	9,718,000	24,669	97
Jih Sun No. U4	6,067,000	3,585	61
Jih Sun No. U5	9,932,000	2,380	99
Jih Sun No. U6	5,038,000	6,349	50
Subtotal		311,805	33,335
Add: Gain on revaluation of repurchased stock warrants		14,300	
Less: Loss on revaluation of repurchased stock warrants		(292,770)	
Total		\$ 33,335	

JIH SUN SECURITIES CO., LTD.
NOTES TO FINANCIAL STATEMENTS (CONT'D)

December 31, 2007

	Repurchased		Market Value
	Units	Amount	
Jih Sun No. 76	2,343,000	\$ 1,798	1,944
Jih Sun No. 77	19,761,000	5,863	198
Jih Sun No. 78	23,759,000	42,915	33,975
Jih Sun No. 79	14,795,000	59,743	8,137
Jih Sun No. 80	1,271,000	47	13
Jih Sun No. 81	25,000	6	4
Jih Sun No. 82	15,405,000	2,631	462
Jih Sun No. 83	6,892,000	3,754	137
Jih Sun No. 84	5,693,000	78	57
Jih Sun No. 85	16,895,000	3,175	169
Jih Sun No. 87	18,518,000	70,294	102,775
Jih Sun No. 88	18,938,000	61,459	32,384
Jih Sun No. 89	826,000	1,438	867
Jih Sun No. 90	18,655,000	16,283	16,229
Jih Sun No. 91	1,348,000	48	13
Jih Sun No. 95	15,580,000	2,146	156
Jih Sun No. 96	15,116,000	5,864	151
Jih Sun No. 97	17,040,000	15,340	170
Jih Sun No. 98	3,819,000	46	38
Jih Sun No. 99	10,353,000	4,267	103
Jih Sun No. P5	10,807,000	88,540	78,351
Jih Sun No. P6	13,120,000	2,280	131
Jih Sun No. P7	10,594,000	19,163	3,708
Jih Sun No. P8	6,987,000	257	70
Jih Sun No. P9	23,286,000	22,297	1,164
Jih Sun No. Q2	18,408,000	11,653	184
Jih Sun No. Q4	687,000	7	7
Jih Sun No. Q5	1,469,000	16	15
Jih Sun No. Q9	7,372,000	532	74
Jih Sun No. R1	11,643,000	2,412	116
Jih Sun No. R2	9,633,000	3,233	193
Jih Sun No. R3	10,479,000	342	105
Jih Sun No. R4	3,252,000	56	98
Jih Sun No. R5	9,776,000	2,467	98
Jih Sun No. R6	12,416,000	1,658	248
Jih Sun No. R7	16,721,000	2,077	167
Jih Sun No. R8	4,066,000	2,383	366
Jih Sun No. R9	10,393,000	1,204	104
Jih Sun No. A1	14,953,000	2,864	150
Jih Sun No. A2	14,433,000	4,487	144
Jih Sun No. A3	8,176,000	479	327
Jih Sun No. A4	18,323,000	3,539	3,298
Jih Sun No. A5	6,101,000	546	549
Jih Sun No. A6	20,876,000	3,298	1,044
Jih Sun No. A7	21,857,000	1,510	874
Jih Sun No. A8	24,315,000	3,291	1,945
Jih Sun No. A9	9,686,000	1,162	678
Jih Sun No. S1	12,982,000	\$ 2,677	779

JIH SUN SECURITIES CO., LTD.
NOTES TO FINANCIAL STATEMENTS (CONT'D)

December 31, 2007

	Repurchased		
	Units	Amount	Market Value
Jih Sun No. S2	10,900,000	1,286	327
Jih Sun No. S3	5,537,000	315	55
Jih Sun No. S4	3,773,000	191	189
Jih Sun No. S5	17,788,000	9,084	8,005
Jih Sun No. S6	5,736,000	4,077	4,818
Jih Sun No. S7	4,899,000	19,359	20,919
Jih Sun No. S8	4,446,000	10,993	13,294
Jih Sun No. B1	16,748,000	7,461	335
Jih Sun No. B2	23,656,000	20,890	23,183
Jih Sun No. B3	4,360,000	495	349
Jih Sun No. B4	13,721,000	8,503	6,449
Jih Sun No. B5	21,441,000	2,652	858
Jih Sun No. B6	19,405,000	13,744	6,404
Jih Sun No. B7	18,933,000	14,729	3,787
Jih Sun No. B8	15,100,000	18,687	22,952
Jih Sun No. B9	23,930,000	6,852	3,111
Jih Sun No. C1	7,455,000	15,138	15,059
Jih Sun No. C2	24,509,000	14,829	7,108
Jih Sun No. C3	17,821,000	4,857	1,426
Jih Sun No. C4	19,768,000	22,276	7,710
Jih Sun No. C5	18,931,000	17,597	7,951
Jih Sun No. C6	17,187,000	7,106	4,984
Jih Sun No. C7	19,619,000	13,675	9,613
Jih Sun No. C8	19,765,000	19,174	21,149
Jih Sun No. C9	19,773,000	13,645	16,807
Jih Sun No. D1	19,864,000	10,652	3,178
Jih Sun No. D2	18,764,000	16,351	16,888
Jih Sun No. D3	17,361,000	4,312	3,819
Jih Sun No. D4	18,524,000	19,035	13,708
Jih Sun No. D5	19,895,000	16,323	8,953
Jih Sun No. D6	18,705,000	9,117	5,612
Jih Sun No. D7	19,763,000	118,373	88,933
Jih Sun No. D8	19,560,000	47,707	51,834
Jih Sun No. D9	19,744,000	61,733	71,276
Jih Sun No. E1	19,754,000	24,602	25,680
Jih Sun No. E2	19,826,000	22,660	27,756
Jih Sun No. E3	19,890,000	28,042	32,222
Jih Sun No. E4	19,984,000	28,140	38,769
Subtotal		<u>1,156,287</u>	<u>888,439</u>
Add: Gain on revaluation of repurchased stock warrants		84,160	
Less: Loss on revaluation of repurchased stock warrants		(352,008)	
Total		<u>\$ 888,439</u>	

When the warrants are exercised, the Company could choose to deliver stock or pay cash for settlement.

JIH SUN SECURITIES CO., LTD.
NOTES TO FINANCIAL STATEMENTS (CONT'D)

(14) BONDS PAYABLE/LONG-TERM LIABILITIES—CURRENT PORTION

<u>Guaranty Bank</u>	<u>Period</u>	<u>December 31,</u>		<u>Pledged Assets</u>
		<u>2008</u>	<u>2007</u>	
Cathay United Bank	2004.11.25~2009.11.25	\$ 500,000	500,000	Time deposits, land and building
"	2004.11.26~2009.11.26	500,000	500,000	"
Subtotal		<u>1,000,000</u>	<u>1,000,000</u>	
Less:maturity within one year		<u>(1,000,000)</u>	<u>-</u>	
Net		<u><u>\$ -</u></u>	<u><u>1,000,000</u></u>	

On Sep. 20, 2004, the Company's Board of Directors approved the issuance of the first local secured bonds of \$1,000,000 thousand, and received the approval of the Financial Supervisory Commission, Executive Yuan, on November 18, 2004. The main purpose of the issuance is to increase the working capital and enhance the financial structure. Due to the difference in issuing terms and maturity date, the corporate bonds were divided into A bonds and B bonds, at par value of \$10,000 thousand per share, with a total of 100 units issued, at an annual interest rate of 2.65% for a 5-year period, and issued at par value. From the issuing date, the interest is payable once a year, and the principal would be due and repayable at the end of the 5-year period.

(15) LONG-TERM LOANS, NET

<u>Commercial paper payable</u>	<u>Period</u>	<u>Credit line</u>	<u>December 31,</u>		<u>Note</u>
			<u>2008</u>	<u>2007</u>	
China Bills Finance Corp.	2007.03.08~2010.03.07	\$ 500,000	500,000	500,000	Use circularly within limit
Mega Bills Finance Corp.	2007.03.06~2010.03.05	500,000	500,000	500,000	"
International Bills Financial Corp.	2007.02.07~2010.02.07	500,000	100,000	500,000	"
International Bills Financial Corp.	2007.06.04~2010.06.04	300,000	240,000	300,000	"
Subtotal			<u>1,340,000</u>	<u>1,800,000</u>	
Less: Unamortized discount long-term loans payable – current portion			<u>(1,886)</u>	<u>(4,041)</u>	
Net			<u><u>1,338,114</u></u>	<u><u>1,795,959</u></u>	
<u>Long-term loans</u>					
Shanghai Commercial & Saving Bank, Ltd	2007.07.20~2010.07.20	\$ 100,000	-	80,000	Use circularly within limit
Taipei Fubon Bank	2007.07.20~2010.07.20	500,000	-	400,000	"
Taiwan Business Bank	2007.07.20~2010.07.20	300,000	-	240,000	"
Bank of Taiwan	2007.07.20~2010.07.20	300,000	-	240,000	"
Mega International Commercial Bank	2007.07.20~2010.07.20	500,000	-	400,000	"
Cathay United Bank	2007.07.20~2010.07.20	500,000	-	400,000	"
Hua Nan Bank	2007.07.20~2010.07.20	300,000	-	240,000	"
Far Eastern International bank	2007.07.20~2010.07.20	500,000	-	400,000	"
Subtotal			<u>-</u>	<u>2,400,000</u>	
Total			<u><u>1,338,114</u></u>	<u><u>4,195,959</u></u>	

JIH SUN SECURITIES CO., LTD.
NOTES TO FINANCIAL STATEMENTS (CONT'D)

(16) OTHER LIABILITIES – OTHER

On August 28, 1991, the Company merged with Yeong Lin Securities Co., Pan Chiao Securities Co., Jih Chung Securities Co., and Chia Yi Securities Co. In merging, the Company assumed the assets, liabilities, and related rights and obligations of the four merged companies and reserve for land value incremental tax of \$18,174 thousand in accordance with Article 13 of the Statute for Upgrading Industries. In addition, as a result of the merger with Yeong Lin Securities Co., the reserve for land value incremental tax payable of \$7,857 thousand was transferred from capital surplus, as approved by the Kaohsiung Government. Furthermore, the Chia Yi Branch sold land on February 14, 1994, resulting in land value incremental tax payable of \$266 thousand dollars. Further, in 2002, the Company merged with Toufen Securities Co., Ltd. and assumed all its assets and liabilities and relevant rights and obligations. Meanwhile, the Company reserved \$3,105 thousand dollars for land value incremental tax. As of December 31, 2008 and 2007, the total land value incremental tax payable amounted to \$28,870 thousand dollars.

(17) SECURITIES BROKERAGE DEBIT (CREDIT) ACCOUNTS – NET

	December 31,	
	2008	2007
SECURITIES BROKERAGE DEBIT ACCOUNTS		
Cash in bank – settlement amount	\$ 139,377	935,608
Receivable price of securities purchased for customers	2,869,123	4,675,116
Receivable accounts for settlement	1,428,158	2,652,917
Settlement price	487,165	380,127
Subtotal	4,923,823	8,643,768
SECURITIES BROKERAGE CREDIT ACCOUNTS		
Price payable of securities sold for customers	2,997,155	4,519,786
Settlement accounts payable	1,712,514	2,860,786
Subtotal	4,709,669	7,380,572
Net	\$ 214,154	1,263,916

JIH SUN SECURITIES CO., LTD.
NOTES TO FINANCIAL STATEMENTS (CONT'D)

(18) EMPLOYEE PENSION PLAN

- (A) The Company adopted SFAS No. 18, "Accounting for Pensions", for the employee pension plan from December 31, 1995. When an employee retires or resigns, the Company will return his pension fund deposit and related interest. In addition, the Pension Fund Administrative Committee will pay the pension or termination payment to the employee based upon a certain percentage (maximum is 100%) of his pension fund deposit from the "Pension Fund". Because the benefits an employee will receive depend solely on the amount contributed to the fund by the employer and the returns earned thereon, the employer does not guarantee the amount of pension benefits. The movements of the pension fund account for 2008 and 2007 are summarized as follows:

	<u>2008</u>	<u>2007</u>
Beginning balance	\$ 60,690	60,777
Add: Interest	1,518	1,371
Less: Current period payments	(1,113)	(1,458)
Ending balance	<u>\$ 61,095</u>	<u>60,690</u>

- (B) Effective from March 1998, the Company makes monthly pension contributions at 2.8% of employee gross salaries monthly (managers' contribution ratio is 4%) to a designated pension fund account at the Central Trust of China. The movements of this pension fund account for 2008 and 2007 are summarized as follows:

	<u>2008</u>	<u>2007</u>
Beginning balance	\$ 178,273	160,612
Add: Contributions	19,558	13,615
Interest	6,546	4,618
Less: Current period payments	(5,371)	(572)
Ending balance	<u>\$ 199,006</u>	<u>178,273</u>

- (C) For the years ended December 31, 2008 and 2007, the components of net pension costs were as follows:

	<u>2008</u>	<u>2007</u>
Service cost	\$ 14,574	16,009
Interest cost	11,610	12,014
Projected return on pension plan assets	(4,654)	(4,262)
Amortization of loss on unrecognized pension gain	1,342	3,490
Loss on payment	-	5,820
Net periodic pension cost	<u>\$ 22,872</u>	<u>33,071</u>

- (D) Actuarial assumptions used and the reconciliation between pension funding status and accrued pension liabilities per books were as follows:

	<u>December 31,</u>	
	<u>2008</u>	<u>2007</u>
Discount rate	2.50%	3.50%
Future salary increase rate	2.00%	2.00%
Projected long-term rate of return on pension plan assets	2.50%	2.50%

JIH SUN SECURITIES CO., LTD.
NOTES TO FINANCIAL STATEMENTS (CONT'D)

	December 31,	
	2008	2007
Benefit obligation		
Vested benefit obligation	\$ (20,774)	(17,781)
Non-vested benefit obligation	(278,580)	(239,833)
Accumulated benefit obligation	(299,354)	(257,614)
Effect of future salary increase	(107,400)	(75,572)
Projected benefit obligation	(406,754)	(333,186)
Fair value of pension fund assets	199,006	178,273
Funding status	(207,748)	(154,913)
Unrecognized pension gain	104,314	54,793
Net pension plan liabilities	\$ (103,434)	(100,120)

As of December 31, 2008 and 2007, the vested benefit obligation for the employee pension plan amounted to \$44,598 thousand and \$30,176 thousand, respectively. For the newly adopted labor retirement plan, the pension expense is \$63,835 thousand and \$63,814 thousand, respectively in 2008 and 2007.

(19) CAPITAL STOCK

The Company was organized in December 1961 with an original capital of \$600 thousand, divided into 60,000 shares. Due to various capital increases and decreases over the years, as of December 31, 2008, the Company's authorized capital amounted to \$12,200,000 thousand. As of December 31, 2008, the Company's actual capital amounted to \$11,572,127 thousand. The issued shares include 1,157,212,760 shares with \$10 per share.

(20) EARNINGS DISTRIBUTION

If there is earnings in the year, according to the Company's Articles of Incorporation, 10% of its annual net income after deduction of income tax and prior years' cumulative losses, if any, is first set aside as legal reserve. At least 0.01% of the remaining balance should be distributed as employee bonuses. The remaining balance along with cumulative retained earnings are distributable earnings, which may be distributed according to the Board of Directors' proposal to be resolved by the stockholders' meeting.

According to the regulations ruled by Financial Supervisory Commission, Executive Yuan, since 2007 and thereafter when the company resolves how to distribute the earnings before, in addition to legal reserve, the company, in compliance with the Securities and Exchange Law NO.41 first article, should set aside special reserve as much as "unrealized loss on financial instruments" under stockholders' equity.

At the initial adoption, special reserve is set aside from the earnings of the year, and the insufficient amounts are from the undistributed earnings of the prior year. Since the following years, as to the difference between the unrealized loss on financial instruments of the year and the prior one, the company should set aside special reserve or reverse them as distributable earnings.

JIH SUN SECURITIES CO., LTD.
NOTES TO FINANCIAL STATEMENTS (CONT'D)

As of December 31, 2008, the company's estimated employee bonuses and directors' emoluments amounted to \$1,000 thousand. Differences between the amount approved in the shareholders' meeting and estimated in the financial statements, if any, are accounted for as changes in accounting estimates and recognized as profit or loss.

The company had a meeting of board of directors on January 31, 2008 and March 2, 2007 replaced shareholders' power to agree earnings distribution of 2007 and 2006. The related information would be announced on the Internet, such as Market Observation Post System.

Distribution of earnings per share, employee bonus and compensation of directors and supervisors were as follows:

	2007
Employee bonus - cash	\$ 18,614
Compensation of directors and supervisors	9,000
Total	\$ 27,614
	2006
Employee bonus – cash	\$ 10,492
Compensation of directors and supervisors	9,000
Total	\$ 19,492

If the above employee bonuses and remuneration to directors and supervisors were included in current expenses, the basic earnings for 2007 and 2006 per share (after tax) would change from \$2.30 to \$1.30 and \$2.28 to \$1.28.

(21) INCOME TAX

(A) The Company's statutory tax rate is 25%. The Company's income tax components in 2008 and 2007 were as follows:

	2008	2007
Current year income tax expense	\$ 317,371	672,890
Adjustment of prior year's income tax expense and the taxable difference assessed by tax authority	45,502	26,882
Deffered income tax	(4,510)	(1,119)
Income tax expense	\$ 358,363	698,653

JIH SUN SECURITIES CO., LTD.
NOTES TO FINANCIAL STATEMENTS (CONT'D)

- (B) The difference between tax calculated by tax law and tax expense in 2008 and 2007 are listed as follows:

	<u>2008</u>	<u>2007</u>
Income tax calculated based on income before income tax at legal tax rate	\$ 193,460	840,471
Valuation loss on operating securities and short-term investments	6,709	9,444
Gain on long-term equity investments — equity method	(75,071)	(84,753)
Difference between financial and tax treatment of bonds with repurchase agreement	(160,687)	268,582
Suspend to impose capital gains tax	370,306	(291,776)
Difference between financial and tax treatment of stock warrants	557	(57,744)
Reversal of provision for securities trading loss	2,269	(3,716)
Adjustment of prior year's income tax estimation	43,387	26,822
Others	(22,567)	(8,677)
Income tax expense	<u>\$ 358,363</u>	<u>698,653</u>

- (C) Details of temporary differences between financial and tax reporting purposes which resulted in deferred income tax assets and liabilities, operating loss carry forwards, and income tax deductions were as follows:

	<u>December 31,</u>			
	<u>2008</u>		<u>2007</u>	
	<u>Amount</u>	<u>Tax effect</u>	<u>Amount</u>	<u>Tax effect</u>
Deferred tax assets — current:				
Investment tax credit	\$ 21,449	6,449	14,447	4,334
Deferred tax assets — non-current:				
Deductible temporary difference resulting from recognition of unrealized default indemnity loss	52,000	13,000	52,000	13,000
Deductible temporary difference resulting from provision for pension	103,434	25,858	93,853	23,463
Subtotal	<u>155,434</u>	<u>38,858</u>	<u>145,853</u>	<u>36,463</u>
Total	<u>\$ 176,933</u>	<u>45,307</u>	<u>160,300</u>	<u>40,797</u>

JIH SUN SECURITIES CO., LTD.
NOTES TO FINANCIAL STATEMENTS (CONT'D)

- (D) The Company's income tax returns of 2002 were assessed by National Tax Administration.

The Company estimated its income tax on stock warrant transactions pursuant to ruling Tai Tsai 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 estimated its income tax payable on stock warrant transactions from 2003-June30,2007 amounted to \$873,579 thousand. Otherwise, according to the article of 24-2 the Income Tax Law which is passed on July 11, 2007 :

- (a) 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 Law, the article of 4-1 and 4-2.
- (b) 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.

According to the tax ruling in Tai-tsi-shui Ruling Letter No. 910458039 "The consolidated tax filing return principle which is promulgated in accordance with the Financial Holding Company Act, Article 49, and the Business Mergers and Acquisitions Act, Article 40" issued on February 12, 2003, by the Ministry of Finance, "Where a Financial Holding Company holds more than 90% of the outstanding issued shares of a domestic subsidiary, such Financial Holding Company may, for the tax year in which its such shareholding in the subsidiary has existed for the entire 12 months of the tax year, elect to be the taxpayer itself, and jointly declare and report profit-seeking enterprise income tax and the 10% tax surcharge on surplus retained earnings of a profit-seeking enterprise in accordance with the relevant provisions of the Income Tax Law." Since 2003, the Company and the parent company, "Jih Sun Financial Holding Limited Co.", and its affiliate "Jih Sun International Bank Ltd." have adopted the consolidated tax filing return principle to file the annual income tax return and make tax payment in order to decrease the Group's taxes and increase the Group's operating efficiency.

JIH SUN SECURITIES CO., LTD.
NOTES TO FINANCIAL STATEMENTS (CONT'D)

(E) Related information on imputation tax system:

	December 31,	
	2008	2007
Balance of stockholders' imputation credit account	<u>\$ 2,277</u>	<u>194,464</u>
	2008(estimated)	2007(actual)
Estimated (actual) imputation credit ratio of earnings distribution to the habitants of the Republic of China	<u>0.55%</u>	<u>9.98%</u>

(F) Related information on undistributed earnings:

	December 31,	
	2008	2007
Undistributed earnings of 1998 and after	<u>\$ 415,475</u>	<u>2,663,231</u>
Total	<u>\$ 415,475</u>	<u>2,663,231</u>

(22) EARNINGS PER SHARE

Current income per share are computed based on the weighted-average number of common shares outstanding during the years ended December 31, 2008 and 2007, was 1,157,212,760 shares.

(23) TRANSFERING of FINANCIAL ASSETS

As of July 10,2007, the company sold the bond, and the book value amounted \$4,876,841 thousands dollars. According to the special purpose, the trust of the company transferred to First Bank about issuing the principal to transfer to pay equity securities, the issuing total amount was \$10,137,333 thousands dollars, and received the approval of the Financial Supervisory Commission, Executive Yuan, on May 21, 2007.

(24) RELATED INFORMATION of FINANCIAL INSTRUMENTS

(A) Reclassification of Financial Assets

(a) The reclassified amounts and reasons of financial assets

	2008
	Reclassification
	Financial assets- available for sale
Original classification :financial assets held for trading	<u>\$ 1,045,859</u>

JIH SUN SECURITIES CO., LTD.
NOTES TO FINANCIAL STATEMENTS (CONT'D)

Not only because the Company has the incentive and ability to reclassify the original financial assets held for trading according to the holding purpose, but also because the international and domestic financial situation has changed to comply with so-called remote situation, (the third point in the first article of the 104th paragraph of SFAS NO. 34 “ Accounting for Financial Instruments.”) the Company reclassified the financial assets held for trading as financial assets available for sale.

- (b) The book value and fair value of reclassified financial assets

2008.12.31	
book value	fair value
\$ 941,960	941,960

- (c) Reclassified financial assets

Originally classified as financial assets held for trading	
Change in fair value recognized through profit and loss without reclassification	The amount recognized as profit (loss) after reclassification
\$ (83,594)	-

As to the financial assets reclassified in 2008, the amount of the change in fair value recognized through profit and loss are loss \$33,688 thousand dollars and loss \$18,652 thousand dollars respectively.

(B) Financial Derivatives Instruments

- (a) Stock warrants

For information about the issued stock warrants, please refer to Note 13(A).

1. Credit risk

The Company is not exposed to credit risk because the premium is collected in advance before the warrants are issued.

2. Market risk

Warrants are derivative financial instruments; their market risk is from price fluctuations of the underlying stock. The market risk of warrants could be hedged by adjusting the positions of warrants and hedging securities.

JIH SUN SECURITIES CO., LTD.
NOTES TO FINANCIAL STATEMENTS (CONT'D)

3. Liquidity risk, cash-flow risk, and the uncertainty of amount and period of future cash demand

Since hedge positions have been established for the underlying securities through existing shareholdings (upon issuance) and premiums received in advance, no significant future cash demand is expected. Furthermore, since the underlying securities held are governed by the competent authority-in-charge, the possibility of not being able to sell the underlying securities at a reasonable price is very slim. Therefore, liquidity risk is relatively low. Cash flow risk arises only from the cash demand to adjust the hedging securities positions according to changes in market pricing of the underlying securities. When market liquidity is high, cash flow risk is minimal.

4. Purpose of issuing stock warrants, and strategy of achieving the related purpose

The Company issued stock warrants, for trading purposes, and the premiums received from issuance of stock warrants are recorded as liabilities, which are revalued at market price at the balance sheet date. Gain or loss resulting from revaluation or execution of the warrant is credited or charged to current income.

The Company also holds hedge positions of operating securities for trading purposes to hedge against risk resulting from investors' execution of stock warrants in exchange for the underlying securities. The Company's hedging strategy is to achieve hedging of the majority of market risk associated with such warrants.

5. Type, purpose and strategy for holding derivative financial instruments

The purpose of the Company's hedging strategy is to hedge most of the market risk.

6. Financial statement presentation of derivative financial instruments

The accounts that record the Company's warrant trading are recognized as current assets or current liabilities.

JIH SUN SECURITIES CO., LTD.
NOTES TO FINANCIAL STATEMENTS (CONT'D)

(C) Futures and options transactions

The Company started the dealership of futures and options for trading business in November 2001. As of December 31, 2008 and 2007, the futures contracts the Company held were as follows:

Items	Transaction Type	Holder Seller	Volume	Contract Amount	Fair Value	Notes
Dec. 31, 2008						
Options	Taiwan Stock Index Option -Call	Holder	232	\$ 1,414	1,002	Speculation
"	Taiwan Stock Index Option -Put	Holder	183	1,440	1,108	"
"	Financial Index Option - Put	Holder	10	7	-	"
"	Stock Options - Call	Holder	2	1	1	"
"	Non Electronics Sub-Index Options-Call	Holder	10	74	57	"
"	Electronics Index Option - Call	Holder	10	62	32	"
Total			447	\$ 2,998	2,200	
Futures	Taiwan Stock Index Futures	Seller	28	\$ (25,083)	(25,469)	Speculation
Total			28	\$ (25,083)	(25,469)	
Options	Taiwan Stock Index Option -Call	Seller	577	\$ (1,101)	(1,210)	Speculation
"	Taiwan Stock Index Option -Put	Seller	557	(1,609)	(1,244)	"
"	Electronics Index Option -Call	Seller	10	(50)	(19)	"
"	Stock Options - Call	Seller	20	(2)	(6)	"
"	Morgan Taiwan Stock Index	Seller	90	-	-	"
"	Financial Index Option -Put	Seller	9	(5)	-	"
Options	Non Electronics Sub-Index Options-Call	Seller	10	(52)	(42)	"
Total			1,273	\$ (2,819)	(2,521)	

JIH SUN SECURITIES CO., LTD.
NOTES TO FINANCIAL STATEMENTS (CONT'D)

Items	Transaction Type	Holder Seller	Volume	Contract Amount	Fair Value	Notes
Dec. 31, 2007						
Futures	Finance Sector Index Futures	Holder	2	\$ 1,852	1,880	Speculation
Futures	TAIFEX Gold Futures	Holder	4	10,836	11,025	"
Futures	10-year Government Bond Futures	Holder	1	5,150	5,147	"
Futures	Taiwan Stock Index Futures	Holder	430	704,699	729,540	"
Total			437	\$ 722,537	747,592	
Options	Taiwan Stock Index Option -Call	Holder	528	\$ 18,965	12,743	Speculation
Options	Taiwan Stock Index Option -Put	Holder	60	949	751	"
Options	Stock Options - Call	Holder	26	383	417	"
Options	Morgan Taiwan Stock Index Option	Holder	20	83	56	"
Total			634	\$ 20,380	13,967	
Futures	Electronics Index Futures	Seller	7	\$ (9,220)	(9,825)	Speculation
Futures	TAIFEX Gold Futures	Seller	5	(13,644)	(13,768)	"
Total			12	\$ (22,864)	23,593	
Options	Taiwan Stock Index Option -Call	Seller	14,046	\$ (74,775)	(89,607)	Speculation
Options	Taiwan Stock Index Option -Put	Seller	8,213	(45,430)	(32,131)	"
Options	Electronics Index Option -Call	Seller	15	(54)	(109)	"
Options	Electronics Index Option -Put	Seller	10	(49)	(10)	"
Options	Financial Index Option -Call	Seller	142	(527)	(533)	"
Options	Financial Index Option -Put	Seller	135	(1,053)	(111)	"
Options	Market Stock Index Options-Call	Seller	32	(85)	(158)	"
Options	Non Electronics Sub-Index Options-Call	Seller	20	(176)	(265)	"
Options	Market Stock Index Options-Call	Seller	20	(62)	(10)	"
Options	Morgan Taiwan Stock Index Option	Seller	10	(55)	(92)	"
Total			22,643	\$ (122,266)	(123,026)	

The above-mentioned fair value is calculated based upon the closing price of Taiwan Stock Index Futures on the Taiwan Futures Exchange as of December 31, 2008 and 2007.

(a) Credit risk

The Company's transaction counter-party for futures contracts is the Taiwan Futures Exchange, which is not expected to result in credit risk.

JIH SUN SECURITIES CO., LTD.
NOTES TO FINANCIAL STATEMENTS (CONT'D)

(b) Market risk

Since the current trading futures in the Republic of China are the Taiwan Stock Index Financial Index Futures and Electronics Index Futures and the futures' price will fluctuate based upon the stock market trend, the Company has implemented stop loss points based upon the related risk, and the loss incurred should be within the expected range. Therefore, there is no significant market value risk.

(c) Liquidity risk, cash-flow risk, and the uncertainty of amount and period of future cash demand

The Company has adequate operating funds; therefore, the risk of insufficient funds to fulfill contracts is low; furthermore, futures contracts and options are traded on the Futures Exchange, and each futures contract and option has its fair market value; therefore, the risk of not being able to quickly sell such contracts at fair value in the market is low.

(d) Presentation of financial derivative instruments-futures in the financial statements

Margin paid by the company to engage in futures and options transactions was recognized under assets as financial assets measured at fair value through profit or loss – current of futures margin deposits. As of December 31, 2008 and 2007, futures and options transactions were as follows:

	December 31,	
	2008	2007
Futures margin deposits	\$ 225,378	721,986
Call option - speculation	2,200	13,967
Liabilities of put options - speculation	2,521	123,026

The company engaged in futures and index options transactions to produce gain or loss on futures contracts and option transactions were as follows :

	2008	2007
Realized gain on futures contracts	\$ 259,471	339,125
Gain on futures contracts - valuation	4	10,295
Realized gain on option transactions	266,306	599,044
Gain on option transactions - valuation	7,511	(1,482)
Total	\$ 533,292	946,982
Realized loss on futures contracts	\$ 185,524	469,491
Loss on futures contracts - valuation	24,715	(7,994)
Realized loss on option transactions	332,347	555,903
Loss on option transactions - valuation	838	(17,313)
Total	\$ 543,424	1,000,087

JIH SUN SECURITIES CO., LTD.
NOTES TO FINANCIAL STATEMENTS (CONT'D)

(D) Interest rate swap

- (a) The Company engaged in financial derivatives in the form of interest rate swaps to coordinate the bond investment position. The Company signed interest rate swap contracts for trading with banks and security companies. As of December 31, 2008 and 2007, the interest rate swap contracts held by the Company were as follows:

Dec.31,2008	Transaction terms	Nominal principal	Fixed rate %	Floating rate index	Settlement date	Expiration date	Purpose
Transaction counter-party							
Cathay United Bank	Long position	\$ 300,000	1.865	CP90	Once a quarter	2009.01.09	Trading
Cathay United Bank	"	300,000	1.865	"	"	2009.01.09	"
Standard Chartered Bank	"	300,000	1.885	"	"	2009.01.29	"
Standard Chartered Bank	"	300,000	1.880	"	"	2009.01.29	"
Standard Chartered Bank	"	400,000	0.430	Libor6M	Once a half	2009.02.16	"
Chinatrust Commercial Bank	"	300,000	-	"	"	2009.03.03	"
Standard Chartered Bank	"	300,000	1.970	CP90	Once a quarter	2009.05.08	"
Yuanta Bank	Short position	300,000	1.940	"	"	2009.05.14	"
KGI Securities Co.	"	300,000	2.800	"	"	2009.05.28	"
Capital Securities Co.	"	300,000	2.750	"	"	2009.05.29	"
KGI Securities Co.	Long position	300,000	2.650	"	"	2009.07.07	"
KGI Securities Co.	"	300,000	2.610	"	"	2009.07.23	"
KGI Securities Co.	"	300,000	2.580	"	"	2009.10.19	"
Taipeifubon Commercial Bank Co., Ltd	Short position	300,000	2.560	"	"	2009.11.02	"
Polaris Securities Co., Ltd	Long position	300,000	2.190	"	"	2010.01.25	"
Capital Securities Co.	"	300,000	2.180	"	"	2010.02.23	"
KGI Securities Co.	"	300,000	2.090	"	"	2010.03.01	"
KGI Securities Co.	Short position	300,000	2.180	"	"	2010.03.09	"
Taipeifubon Commercial Bank Co., Ltd	"	300,000	2.230	"	"	2010.03.15	"
Chinatrust Commercial Bank	Long position	500,000	-	Libor6M	Once a half	2010.04.07	"
E.Sun Bank	Short position	300,000	2.3695	CP90	Once a quarter	2010.04.14	"
Standard Chartered Bank	Long position	300,000	2.390	"	"	2010.04.19	"
Standard Chartered Bank	"	300,000	2.1550	"	"	2010.04.19	"
Uni-President Securities Corp.	"	300,000	2.1425	"	"	2010.04.29	"
City Bank	Short position	300,000	2.000	"	"	2010.05.14	"
Yuanta Bank	Long position	300,000	2.105	"	"	2010.05.25	"
Standard Chartered Bank	"	300,000	2.380	"	"	2010.08.17	"
Taishin Bills Finance Corp.	"	500,000	2.370	"	"	2010.08.17	"
Cathay United Bank	"	300,000	2.270	"	"	2010.08.20	"
Mega International Commercial Bank	"	200,000	2.270	"	"	2010.08.20	"
City Bank	Short position	500,000	2.295	"	"	2010.08.23	"
Taipeifubon Commercial Bank Co., Ltd	Long position	300,000	2.050	"	"	2010.08.26	"
SinaPac Securities Corp.	"	300,000	2.340	"	"	2010.08.27	"
Polaris Securities Co., Ltd	Short position	300,000	2.335	"	"	2010.08.30	"
SinaPac Securities Corp.	"	300,000	2.320	"	"	2010.08.30	"
Taipeifubon Commercial Bank Co., Ltd	"	200,000	2.320	"	"	2010.08.30	"
Taipeifubon Commercial Bank Co., Ltd	Long position	300,000	2.045	"	"	2010.08.30	"
Fubon Securities Co., Ltd	"	300,000	2.0425	"	"	2010.08.30	"
MasterLink Securities Co.	"	300,000	2.050	"	"	2010.08.30	"
Taipeifubon Commercial Bank Co., Ltd	"	300,000	2.000	"	"	2010.08.31	"
Taishin Bank	"	300,000	2.000	"	"	2010.08.31	"
Uni-President Securities	Long position	300,000	2.020	"	"	2010.09.01	"
Chinatrust Commercial Bank	"	400,000	-	Libor6M	Once a half	2010.10.13	"
Chinatrust Commercial Bank	"	200,000	-	"	"	2010.10.13	"
Cathay United Bank	Short position	300,000	2.270	CP90	Once a quarter	2010.11.08	"
Uni-President Securities	"	300,000	2.265	"	"	2010.11.08	"
KGI Securities Co.	"	300,000	2.195	"	"	2010.11.11	"

JIH SUN SECURITIES CO., LTD.
NOTES TO FINANCIAL STATEMENTS (CONT'D)

<u>Dec.31,2008</u>	<u>Transaction terms</u>	<u>Nominal principal</u>	<u>Fixed rate %</u>	<u>Floating rate index</u>	<u>Settlement date</u>	<u>Expiration date</u>	<u>Purpose</u>
Taishin Bills Finance Corp.	Short position	\$ 300,000	2.500	CP90	Once a quarter	2011.04.21	Trading
SinaPac Securities Corp.	"	200,000	2.530	"	"	2011.05.02	"
KGI Securities Co.	Long position	500,000	2.520	"	"	2011.05.09	"
Standard Chartered Bank	"	500,000	1.050	Libor6M	Once a half	2011.05.25	"
Standard Chartered Bank	"	500,000	1.050	"	"	2011.05.25	"
SinaPac Securities Corp.	Short position	500,000	2.430	CP90	Once a quarter	2011.08.18	"
Standard Chartered Bank	Long position	300,000	2.140	"	"	2011.08.22	"
Capital Securities Co.	"	300,000	2.415	"	"	2011.08.25	"
City Bank	Short position	300,000	2.380	"	"	2011.09.02	"
Taiwan Securities Co., Ltd	Long position	300,000	2.370	"	"	2011.09.08	"
Taishin Bank	"	300,000	2.660	"	"	2011.11.22	"
Taishin Bills Finance Corp.	"	300,000	2.330	"	"	2011.09.09	"
Standard Chartered Bank	Short position	300,000	2.440	"	"	2012.03.08	"
City Bank	"	300,000	2.170	"	"	2012.04.27	"
Capital Securities Co.	Long position	300,000	2.150	"	"	2012.05.04	"
Mega Securities Co.	Short position	300,000	2.135	"	"	2012.05.14	"
Taiwan Securities Co., Ltd	Long position	300,000	2.600	"	"	2012.05.14	"
Taipeifubon Commercial Bank Co., Ltd	"	300,000	2.210	"	"	2012.05.23	"
Capital Securities Co.	"	300,000	2.280	"	"	2012.05.28	"
Grand Cathay Securities Corp.	Short position	300,000	2.330	"	"	2012.05.29	"
Polaris Securities Co., Ltd	"	300,000	2.410	"	"	2012.06.05	"
KGI Securities Co.	Long position	300,000	2.410	"	"	2012.06.05	"
KGI Securities Co.	Short position	300,000	2.890	"	"	2012.06.11	"
Taipeifubon Commercial Bank Co., Ltd	"	300,000	2.505	"	"	2012.07.04	"
Chinatrust Commercial Bank	"	300,000	2.610	"	"	2012.07.09	"
Mega Securities Co.	"	300,000	2.615	"	"	2012.07.09	"
Chinatrust Commercial Bank	"	300,000	2.660	"	"	2012.07.10	"
Taipeifubon Commercial Bank Co., Ltd	"	300,000	2.690	"	"	2012.07.12	"
Taipeifubon Commercial Bank Co., Ltd	"	300,000	2.685	"	"	2012.07.12	"
Standard Chartered Bank	"	300,000	2.650	"	"	2012.07.23	"
First Bank	"	300,000	2.655	"	"	2012.07.23	"
Standard Chartered Bank	"	300,000	2.720	"	"	2012.07.24	"
Mega Securities Co.	Long position	300,000	2.755	"	"	2012.07.25	"
Taipeifubon Commercial Bank Co., Ltd	"	300,000	2.840	"	"	2012.07.27	"
Polaris Securities Co., Ltd	"	300,000	2.750	"	"	2012.07.31	"
Taishin Bank	"	300,000	2.795	"	"	2012.08.02	"
Capital Securities Co.	"	300,000	2.745	"	"	2012.08.07	"
Chinatrust Commercial Bank	"	300,000	2.485	"	"	2012.08.15	"
Taishin Bank	Short position	300,000	2.485	"	"	2012.08.15	"
KGI Securities Co.	"	300,000	2.440	"	"	2012.08.17	"
Yuanta Bank	"	300,000	2.400	"	"	2012.08.20	"
City Bank	Long position	300,000	2.380	"	"	2012.08.22	"
City Bank	"	300,000	2.400	"	"	2012.08.27	"
Mega Securities Co.	Short position	300,000	2.565	"	"	2012.09.28	"
Cathay United Bank	"	300,000	2.570	"	"	2012.09.28	"
Cathay United Bank	"	300,000	2.580	"	"	2012.09.28	"
Polaris Securities Co., Ltd	"	300,000	2.600	"	"	2012.10.02	"
Capital Securities Co.	"	300,000	2.600	"	"	2012.10.02	"
First Bank	"	300,000	2.645	"	"	2012.10.03	"
Capital Securities Co.	"	300,000	2.645	"	"	2012.10.03	"
Taiwan Securities Co., Ltd	"	300,000	2.635	"	"	2012.10.05	"
SinaPac Securities Corp.	Long position	300,000	2.650	"	"	2012.10.23	"
Standard Chartered Bank	"	300,000	2.610	"	"	2012.10.29	"
Capital Securities Co.	"	300,000	2.670	"	"	2012.10.31	"
First Bank	"	300,000	2.720	"	"	2012.11.07	"
First Bank	"	300,000	2.750	"	"	2012.11.08	"
Taipei fubon Commercial Bank Co., Ltd	"	300,000	2.720	"	"	2012.11.12	"
Standard Chartered Bank	"	300,000	2.680	"	"	2012.11.13	"
Uni-President Securities	"	300,000	2.530	"	"	2012.12.05	"
Mega Securities Co.	Short position	300,000	2.485	"	"	2013.01.16	"

JIH SUN SECURITIES CO., LTD.
NOTES TO FINANCIAL STATEMENTS (CONT'D)

Dec.31,2008	Transaction terms	Nominal principal	Fixed rate %	Floating rate index	Settlement date	Expiration date	Purpose
SinaPac Securities Corp.	"	300,000	2.360	"	"	2013.01.24	"
Mega Securities Co.	Long position	\$ 300,000	2.255	CP90	Once a quarter	2013.01.25	Trading
SinaPac Securities Corp.	"	300,000	2.300	"	"	2013.01.28	"
Uni-President Securities	Short position	300,000	2.310	"	"	2013.02.18	"
Yuanta Bank	Long position	300,000	2.360	"	"	2013.02.19	"
Uni-President Securities	"	300,000	2.470	"	"	2013.03.11	"
KGI Securities Co.	"	300,000	2.470	"	"	2013.03.11	"
Polaris Securities Co., Ltd	Short position	300,000	2.465	"	"	2013.03.18	"
Chinatrust Commercial Bank	"	300,000	2.530	"	"	2013.03.25	"
SinaPac Securities Corp.	"	300,000	2.490	"	"	2013.04.01	"
Taipeifubon Commercial Bank Co., Ltd	"	300,000	2.540	"	"	2013.04.15	"
Uni-President Securities	"	300,000	2.540	"	"	2013.04.15	"
Yuanta Bank	"	300,000	2.570	"	"	2013.04.17	"
KGI Securities Co.	"	300,000	2.570	"	"	2013.04.17	"
Yuanta Bank	"	300,000	2.605	"	"	2013.04.18	"
Taipeifubon Commercial Bank Co., Ltd	"	300,000	2.635	"	"	2013.04.22	"
Taishin Bills Finance Corp.	"	300,000	2.700	"	"	2013.04.29	"
Uni-President Securities	"	300,000	2.700	"	"	2013.04.29	"
Taipeifubon Commercial Bank Co., Ltd	Long position	300,000	2.660	"	"	2013.05.13	"
Taipeifubon Commercial Bank Co., Ltd	"	300,000	2.670	"	"	2013.05.13	"
Uni-President Securities	"	300,000	2.685	"	"	2013.05.13	"
Uni-President Securities	"	300,000	2.660	"	"	2013.05.13	"
Taipeifubon Commercial Bank Co., Ltd	"	300,000	2.660	"	"	2013.05.13	"
Taipeifubon Commercial Bank Co., Ltd	"	300,000	2.810	"	"	2013.05.20	"
Yuanta Bank	"	300,000	2.845	"	"	2013.05.27	"
Capital Securities Co.	Short position	300,000	2.890	"	"	2013.05.29	"
KGI Securities Co.	Long position	300,000	2.905	"	"	2013.05.29	"
Yuanta Bank	"	300,000	2.900	"	"	2013.06.03	"
KGI Securities Co.	"	300,000	2.970	"	"	2013.06.10	"
Taipeifubon Commercial Bank Co., Ltd	Short position	300,000	2.495	"	"	2013.08.13	"
SinaPac Securities Corp.	Long position	300,000	2.535	"	"	2013.08.19	"
Mega Securities Co.	"	300,000	2.445	"	"	2013.09.09	"
Mega Securities Co.	"	300,000	2.445	"	"	2013.09.09	"
Polaris Securities Co., Ltd	Short position	600,000	2.430	"	"	2013.09.18	"

JIH SUN SECURITIES CO., LTD.
NOTES TO FINANCIAL STATEMENTS (CONT'D)

Dec.31,2007	Transaction terms	Nominal principal	Fixed rate %	Floating rate index	Settlement date	Expiration date	Purpose
Transaction counter-party							
Cathay United Bank	Long position	\$ 300,000	1.865	CP90	Once a quarter	2009.01.09	Trading
Cathay United Bank	"	300,000	1.865	"	"	2009.01.09	"
Standard Chartered Bank	"	300,000	1.885	"	"	2009.01.29	"
Standard Chartered Bank	"	300,000	1.880	"	"	2009.01.29	"
Standard Chartered Bank	"	400,000	0.430	Libor6M	Once a half	2009.02.16	"
Chinatrust Commercial Bank	"	300,000	-	"	"	2009.03.03	"
Standard Chartered Bank	"	300,000	1.970	CP90	Once a quarter	2009.05.08	"
Yuanta Bank	Short position	300,000	1.940	"	"	2009.05.14	"
KGI Securities Co.	"	300,000	2.800	"	"	2009.05.28	"
Capital Securities Co.	"	300,000	2.750	"	"	2009.05.29	"
KGI Securities Co.	Long position	300,000	2.650	"	"	2009.07.07	"
KGI Securities Co.	"	300,000	2.610	"	"	2009.07.23	"
KGI Securities Co.	"	300,000	2.580	"	"	2009.10.19	"
Taipeifubon Commercial Bank Co., Ltd	Short position	300,000	2.560	"	"	2009.11.02	"
Polaris Securities Co., Ltd	Long position	300,000	2.190	"	"	2010.01.25	"
Capital Securities Co.	"	300,000	2.180	"	"	2010.02.23	"
KGI Securities Co.	"	300,000	2.090	"	"	2010.03.01	"
KGI Securities Co.	Short position	300,000	2.180	"	"	2010.03.09	"
Taipeifubon Commercial Bank Co., Ltd	"	300,000	2.230	"	"	2010.03.15	"
Chinatrust Commercial Bank	Long position	500,000	-	Libor6M	Once a half	2010.04.07	"
Standard Chartered Bank	"	300,000	2.155	CP90	Once a quarter	2010.04.19	"
Uni-President Securities Corp.	"	300,000	2.1425	"	"	2010.04.29	"
City Bank	Short position	300,000	2.000	"	"	2010.05.14	"
Yuanta Bank	Long position	300,000	2.105	"	"	2010.05.25	"
Standard Chartered Bank	"	300,000	2.380	"	"	2010.08.17	"
Taishin Bills Finance Corp.	"	500,000	2.370	"	"	2010.08.17	"
Cathay United Bank	"	300,000	2.270	"	"	2010.08.20	"
Mega International Commercial Bank	"	200,000	2.270	"	"	2010.08.20	"
City Bank	Short position	500,000	2.295	"	"	2010.08.23	"
Taipeifubon Commercial Bank Co., Ltd	Long position	300,000	2.050	"	"	2010.08.26	"
SinaPac Securities Corp.	"	300,000	2.340	"	"	2010.08.27	"
Polaris Securities Co., Ltd	Short position	300,000	2.335	"	"	2010.08.30	"
SinaPac Securities Corp.	"	300,000	2.320	"	"	2010.08.30	"
Taipeifubon Commercial Bank Co., Ltd	"	200,000	2.320	"	"	2010.08.30	"
Taipeifubon Commercial Bank Co., Ltd	Long position	300,000	2.045	"	"	2010.08.30	"
Fubon Securities Co., Ltd	"	300,000	2.0425	"	"	2010.08.30	"
MasterLink Securities Co.	"	300,000	2.050	"	"	2010.08.30	"
Taipeifubon Commercial Bank Co., Ltd	"	300,000	2.000	"	"	2010.08.31	"
Taishin Bank	"	300,000	2.000	"	"	2010.08.31	"
Uni-President Securities	Long position	300,000	2.020	"	"	2010.09.01	"
Chinatrust Commercial Bank	"	400,000	-	Libor6M	Once a half	2010.10.13	"
Chinatrust Commercial Bank	"	200,000	-	"	"	2010.10.13	"
Cathay United Bank	Short position	300,000	2.270	CP90	Once a quarter	2010.11.08	"
Uni-President Securities	"	300,000	2.265	"	"	2010.11.08	"
KGI Securities Co.	"	300,000	2.195	"	"	2010.11.11	"
Standard Chartered Bank	Long position	500,000	1.050	Libor6M	Once a half	2011.05.25	"
Standard Chartered Bank	"	500,000	1.050	"	"	2011.05.25	"
Standard Chartered Bank	"	300,000	2.140	CP90	Once a quarter	2011.08.22	"
Taishin Bank	"	300,000	2.660	"	"	2011.11.22	"
Standard Chartered Bank	Short position	300,000	2.440	"	"	2012.03.08	"
City Bank	"	300,000	2.170	"	"	2012.04.27	"
Capital Securities Co.	Long position	300,000	2.150	"	"	2012.05.04	"
Mega Securities Co.	Short position	300,000	2.135	"	"	2012.05.14	"
Taipeifubon Commercial Bank Co., Ltd	Long position	300,000	2.210	"	"	2012.05.23	"

JIH SUN SECURITIES CO., LTD.
NOTES TO FINANCIAL STATEMENTS (CONT'D)

<u>Dec.31,2007</u>	<u>Transaction terms</u>	<u>Nominal principal</u>	<u>Fixed rate %</u>	<u>Floating rate index</u>	<u>Settlement date</u>	<u>Expiration date</u>	<u>Purpose</u>
Capital Securities Co.	Long position	\$ 300,000	2.280	CP90	Once a quarter	2012.05.28	Trading
Grand Cathay Securities Corp.	Short position	300,000	2.330	"	"	2012.05.29	"
Polaris Securities Co., Ltd	"	300,000	2.410	"	"	2012.06.05	"
KGI Securities Co.	Long position	300,000	2.410	"	"	2012.06.05	"
Taipeifubon Commercial Bank Co., Ltd	Short position	300,000	2.505	"	"	2012.07.04	"
Chinatrust Commercial Bank	"	300,000	2.610	"	"	2012.07.09	"
Mega Securities Co.	"	300,000	2.615	"	"	2012.07.09	"
Chinatrust Commercial Bank	"	300,000	2.660	"	"	2012.07.10	"
Taipeifubon Commercial Bank Co., Ltd	"	300,000	2.690	"	"	2012.07.12	"
Taipeifubon Commercial Bank Co., Ltd	"	300,000	2.685	"	"	2012.07.12	"
Standard Chartered Bank	"	300,000	2.650	"	"	2012.07.23	"
First Bank	"	300,000	2.655	"	"	2012.07.23	"
Standard Chartered Bank	"	300,000	2.720	"	"	2012.07.24	"
Mega Securities Co.	Long position	300,000	2.755	"	"	2012.07.25	"
Taipeifubon Commercial Bank Co., Ltd	"	300,000	2.840	"	"	2012.07.27	"
Polaris Securities Co., Ltd	"	300,000	2.750	"	"	2012.07.31	"
Taishin Bank	"	300,000	2.795	"	"	2012.08.02	"
Capital Securities Co.	"	300,000	2.745	"	"	2012.08.07	"
Chinatrust Commercial Bank	"	300,000	2.485	"	"	2012.08.15	"
Taishin Bank	Short position	300,000	2.485	"	"	2012.08.15	"
KGI Securities Co.	"	300,000	2.440	"	"	2012.08.17	"
Yuanta Bank	"	300,000	2.400	"	"	2012.08.20	"
City Bank	Long position	300,000	2.380	"	"	2012.08.22	"
City Bank	"	300,000	2.400	"	"	2012.08.27	"
Mega Securities Co.	Short position	300,000	2.565	"	"	2012.09.28	"
Cathay United Bank	"	300,000	2.570	"	"	2012.09.28	"
Cathay United Bank	"	300,000	2.580	"	"	2012.09.28	"
Polaris Securities Co., Ltd	"	300,000	2.600	"	"	2012.10.02	"
Capital Securities Co.	"	300,000	2.600	"	"	2012.10.02	"
First Bank	"	300,000	2.645	"	"	2012.10.03	"
Capital Securities Co.	"	300,000	2.645	"	"	2012.10.03	"
Taiwan Securities Co., Ltd	"	300,000	2.635	"	"	2012.10.05	"
SinaPac Securities Corp.	Long position	300,000	2.650	"	"	2012.10.23	"
Standard Chartered Bank	"	300,000	2.610	"	"	2012.10.29	"
Capital Securities Co.	"	300,000	2.670	"	"	2012.10.31	"
First Bank	"	300,000	2.720	"	"	2012.11.07	"
First Bank	"	300,000	2.750	"	"	2012.11.08	"
Taipeifubon Commercial Bank Co., Ltd	"	300,000	2.720	"	"	2012.11.12	"
Standard Chartered Bank	"	300,000	2.680	"	"	2012.11.13	"
Uni-President Securities	"	300,000	2.530	"	"	2012.12.05	"

(b) Credit risk

Credit risk arises when the transaction party is unable to follow the terms stated in the interest rate swap contract. The Company deals with banks and securities companies with good credit and uses past experience to determine the maximum remittance amount such that the transaction counter-party will not likely default on the contracts. Therefore, the credit risk of these transactions is very low.

(c) Market risk

The purpose of signing interest rate swap contracts is to hedge against the interest rate and cash flow risk of net assets. Since the interest rate swap and the fair value and cash flow of the assets are highly negatively correlated, the market risk will be offset.

JIH SUN SECURITIES CO., LTD.
NOTES TO FINANCIAL STATEMENTS (CONT'D)

- (d) Liquidity risk, cash-flow risk, and the uncertainty of amount and period of future cash demand

The future cash demand occurs on the settlement date, and the Company receives or pays interest of nominal principal times the difference in interest rates. Since the amount is not large and there is no cash inflow or outflow of principal, there is no period of heavy future cash demand. The period of cash inflow or outflow usually is three months. An interest rate swap is a contract with a counter-party. Liquidity risk arises from early termination of contracts before expiration, and the amount of rescindable value is determined by the counter-parties of the contract.

- (e) Type, purpose, and strategy for holding derivative financial instruments

The Company's major operating activities in derivative financial instruments include matching transactions, structuring transactions, and hedging transactions. The Company's profit will fluctuate with the market.

- (E) Convertible corporate bonds and asset swap options

- (a) As of December 31, 2007, the Company's convertible corporate bonds and asset swap options not yet due were as follows:

	December 31, 2007	
	Option cost	The notional price
Short call option	\$ (22,416)	(8,662)

As of December 31, 2008, there are no convertible corporate bonds and asset swap options not yet due .

- (b) Credit risk

The Company receives premiums when natural persons buy asset swap options, so there is no credit risk with natural persons. Credit risk of asset swap transaction arises when the transaction counter-party is unable to follow the terms stated in the contract. The Company deals with banks or companies with good credit and uses past experience to determine the maximum remittance amount that the transaction counter-party will not likely default on. Therefore, credit risk is very low.

- (c) Market risk

The interest risk arising from asset swaps was included the interest product positions to measure market risk. Exercise and notional prices for option positions are also valued periodically.

JIH SUN SECURITIES CO., LTD.
NOTES TO FINANCIAL STATEMENTS (CONT'D)

- (d) Liquidity risk, cash-flow risk, and the uncertainty of amount and period of future cash demand

The purpose of the Company engaging in convertible corporate bond asset swaps transactions is to raise the liquidity of convertible corporate bonds. For interest rate swap, the Company receives or pays interest of nominal principal times the difference in interest rates. Since the amount is not large and there is no cash inflow or outflow of principal, there is no term of heavy future cash demand.

- (e) Type, purpose and strategy for holding derivative financial instruments

The purpose of the Company engaging in the convertible corporate bond asset swap and option transactions is to earn a fixed price difference or to transfer the credit risk to counter-parties by dividing convertible corporate bonds into different parts to achieve the hedging purpose.

- (F) Presentation of financial derivative instruments – O.T.C. in the financial statements

- (a) As of December 31, 2008 and 2007, the Company held positions in interest rate swaps, convertible corporate bond asset swaps, and structured notes. Presentation of derivative financial instruments in the balance sheets was as follows:

	December 31, 2008	
	Assets of financial derivative instruments - O.T.C.	Liabilities of financial derivative instruments - O.T.C.
IRS contract value	\$ -	15,880
Asset swap option	13,108	-
TOTAL	\$ 13,108	15,880

	December 31, 2007	
	Assets of financial derivative instruments - O.T.C.	Liabilities of financial derivative instruments - O.T.C.
IRS contract value	\$ -	98,908
Asset swap option	-	8,662
TOTAL	\$ -	107,570

JIH SUN SECURITIES CO., LTD.
NOTES TO FINANCIAL STATEMENTS (CONT'D)

- (b) For the year ended December 31, 2008 and 2007, the Company engaged in interest rate swaps, convertible corporate bond asset swaps, and structured notes, and the related presentation of the income or loss from derivative financial instruments in the statement of income was as follows:

	Gain (loss) on derivative financial instruments – O.T.C	
	2008	2007
IRS contract value	\$ 40,933	(175,553)
Asset swap option	5,106	11,652
Equity-linked note	7,609	(11,452)
Bond option	(34,082)	811
Total	\$ 19,566	(174,542)

(G) Fair Value of Financial Instruments

	December 31			
	2008		2007	
	Book Value	Fair Value	Book Value	Fair Value
Financial Assets				
Financial assets with book value equal to fair value	\$ 17,066,262	17,066,262	29,254,464	29,254,464
Financial assets measured at fair value through profit or loss - current				
Open-end mutual funds and money market instruments	303,844	303,844	439,905	439,905
Operating securities	11,307,672	11,307,672	17,799,350	17,799,350
Call options – speculation	2,200	2,200	13,967	13,967
Deposits for future transaction	225,378	225,378	721,986	721,986
Financial derivative instruments assets - O.T.C.	13,108	13,108	-	-
Available-for-sale financial assets -current	941,960	941,960	-	-
Available-for-sale financial assets - non-current	1,405,992	1,405,992	1,327,661	1,327,661
Total	\$ 31,266,416	31,266,416	49,557,333	49,557,333
Financial Liabilities				
Financial liabilities with book value equal to fair value	\$ 3,569,240	3,569,240	13,175,665	13,175,665
Financial liabilities measured at fair value through profit or loss - current				
Liabilities for stock warrants issued	37,580	37,580	1,038,706	1,038,706
Repurchased stock warrants	(33,335)	(33,335)	(888,439)	(888,439)
Put options - speculation	2,521	2,521	123,026	123,026
Payable for short covering-hedging	9,702	9,702	-	-
Payable for short covering-hedging-valuation adjustment	108	108		
Financial derivative instruments liabilities - O.T.C	15,880	15,880	107,570	107,570
Total	\$ 3,601,696	3,601,696	13,556,528	13,556,528

Methods and assumptions used to estimate the fair value of financial instruments are as

JIH SUN SECURITIES CO., LTD.
NOTES TO FINANCIAL STATEMENTS (CONT'D)

follows:

- (a) Financial assets and liabilities with fair value equal to book value:

The fair values of short-term instruments are estimated using their book value. Since such instruments will mature within a short time, book value is a reasonable basis to estimate the fair value. Short-term financial instruments comprise financial assets such as cash and cash equivalents, receivables from securities financing, receivables from refinancing guarantee, and financial liabilities, such as short-term borrowings, commercial paper payable, and securities financing guaranty deposits-in.

- (b) Financial assets and liabilities:

Financial assets are recognized based on the quoted market price. However, if the market price is unavailable, then the fair value is determined based on certain valuation techniques. The estimates and assumptions of the valuation techniques adopted by the Company are identical to those of other market participants.

- (c) The company estimated the fair value of financial assets and financial liabilities by open market price of active market and valuation methods was as follows :

<u>Names of Financial Assets and Financial Liabilities</u>	2008.12.31	
	<u>Amount by open market price</u>	<u>Amount by evaluation method</u>
Financial Assets		
Financial assets with book value equal to fair value	\$ -	17,066,262
Financial asset measured at fair value through profit or loss – current:		
Open-end mutual funds and money market instruments	303,844	-
Operating securities	11,307,672	-
Call options – speculation	2,200	-
Deposits for future transactions	225,378	-
Financial derivative instruments assets - O.T.C	13,108	-
Available-for-sale financial assets – current	941,960	-
Available-for-sale financial assets – non-current	-	1,405,992
Financial Liabilities		
Financial liabilities with book value equal to fair value	-	3,569,240
Financial liabilities measured at fair value through profit or loss - current		
Liabilities for stock warrants issued	37,580	-
Repurchased stock warrants	(33,335)	-
Put options - speculation	2,521	-
Payable for short covering-hedging	9,702	-
Payable for short covering-hedging-valuation adjustment	108	-
Financial derivative instruments liabilities - O.T.C	15,880	-

JIH SUN SECURITIES CO., LTD.
NOTES TO FINANCIAL STATEMENTS (CONT'D)

Names of Financial Assets and Financial Liabilities	2007.12.31	
	Amount by open market price	Amount by evaluation method
Financial Assets		
Financial assets with book value equal to fair value	\$ -	29,254,464
Financial asset measured at fair value through profit or loss - current		
Open-end mutual funds and money market instruments	439,905	-
Operating securities	17,799,350	-
Call options – speculation	13,967	-
Deposits for future transactions	721,986	-
Available-for-sale financial assets – non-current	-	1,327,661
Financial Liabilities		
Financial liabilities with book value equal to fair value	-	13,175,665
Financial liabilities measured at fair value through profit or loss - current		
Liabilities for stock warrants issued	1,038,706	-
Repurchased stock warrants	(888,439)	-
Put options - speculation	123,026	-
Financial derivative instruments liabilities - O.T.C	107,570	-

(d) Financial Risk Information

1. Market risk

Market risk is the risk that the Company will suffer losses due to market interest rate or exchange rate fluctuation. As the result, a 1% increase in market rate will decrease the fair value of bonds. If the transaction purpose is to hedge, market risk will be eliminated by the hedged items. If the transaction purpose is trading, the Company will set a stop-loss point in the beginning. Therefore, the Company can confine the losses within an expected range.

2. Credit risk

The Company's main latent credit risk were from Cash and Cash equivalents, Receivables and financial assets at fair value through profit or loss. To divide its risk effectively, the Company makes deposits in several well-known financial institutions. Moreover, for investments, the Company only deals with high-credit-ranking companies for the purpose of eliminating credit risk. The Company not only evaluates trading parties' credit condition before making a deal, but evaluates counterparties' credit condition on an ongoing basis during the course of trading.

3. Liquidity risk

The capital and operating capital of the company can support to execute all the obligation of the contract, so there is no risk for unable to raising the capital. However, in order to control the liquidity risk of managing the capital effectively, the company prepares the analysis of the capital gap every operating date to cope

JIH SUN SECURITIES CO., LTD.
NOTES TO FINANCIAL STATEMENTS (CONT'D)

with the emergency situation.

Futures contracts and options are traded on the Futures Exchange, and each futures contract and option has its fair market value; therefore, the risk of not being able to quickly sell such contracts at fair value in the market is low.

Instead of paying or receiving the nominal principal on the maturity date, the Company only pays or receives differential interest on the payment date for the convertible corporate bond asset swaps and interest rate swaps contracts, etc. Since there is no cash flow out for the nominal principal, liquidity risk is low.

4. Cash flow risk arising from interest rate change

Short-term and long-term loans of the Company were fixed-rate liabilities. Therefore, changes in interest rate will not affect future cash flow of the Company

Investment in bonds of the company were fixed-rate and floating rate. Therefore, changes in interest rate will affect future cash flow of the Company.

(e) Risk management organization structure and policy

To control the overall risks of the company effectively, the parent company of the corporation established a risk management committee that is responsible for risk management-related work. The risk management committee underneath the Board of Directors is independent of every business unit on the organization structure to enforce the risk management system. The Company's risk management organization includes the scope of the Board of Directors, each high-level management unit, each risk management executive unit, and each business unit. By adequate distinction between responsibility and accountability and professional division of labour, the risk management organization establishes the risk management culture which is abided corporately from up to down to assure the effective operation of the risk management system.

The risk management system operates with the qualitative and quantitative methods to maintain the Company's tolerable range in facing all kinds of risks to develop the spread of the company's business items. According to the risk management policies which are approved by the Board of Directors, each risk management executive unit takes responsibility of the execution of the risk management to supervise the operating risk of each unit. Each business unit matches the operation of the risk management system to control the transaction in the range of the authorized amount.

The Company uses the risk management policies to engage financial derivative instruments to avoid specific risks of the valuation's fluctuation for holding the financial items.

(f) Financial instruments with the credit risk out of balance sheet : None

(g) Information of the credit risk conspicuously assemble :

Due to the company do not make all transactions with only one client among the widespread clients they owned ,the credit risk do not apparently assemble.

JIH SUN SECURITIES CO., LTD.
NOTES TO FINANCIAL STATEMENTS (CONT'D)

(25) RELATED-PARTY TRANSACTIONS

(A) Names of Related Parties and Their Relationship with the Company

<u>Name of related party</u>	<u>Relationship with the Company</u>
Jih Sun Holdings Co., Ltd.	Parent company of the Company
Jih Sun Futures Co., Ltd.	Investee company accounted for under the equity method
Jih Sun Securities Investment Consulting Co., Ltd.	"
Jih Sun Securities Investment Trust Corp.	" (begin from March,2008)
Jih Sun International Bank Co., Ltd.	Its president is the spouse of the president of the Company.
Jih Sun Cresvale Securities International Limited	A third-level subsidiary of the Company
All directors ,supervisors, general manager and vice general managers	Major management of the company

(B) Significant Transactions with Related Parties

(a) In 2008 and 2007 brokerage commissions from securities trading were as follows:

<u>Name of related party</u>	<u>2008</u>		<u>2007</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Jih Sun International Bank Co., Ltd.	\$ 1,269	-	2,746	-

The trading terms of securities brokerage with related parties above are the same as those with non-related parties.

(b) The bond transactions with repurchase/resale agreements with related parties in 2008 and 2007 were as follows:

Liabilities of bonds with repurchase agreements

<u>Name of related party</u>	<u>2008</u>		<u>2007</u>	
	<u>Interest expense</u>	<u>Ending balance</u>	<u>Interest expense</u>	<u>Ending balance</u>
Jih Sun International Bank Co., Ltd.	\$ 3,962	-	3,253	493,219
Jih Sun Futures Co., Ltd.	376	46,000	432	39,048
Jih Sun Securities Investment Trust Corp.	942	23,000		
Total	\$ 5,280	69,000	3,685	532,267

Investment in redeemable bonds

<u>Name of related party</u>	<u>2008</u>		<u>2007</u>	
	<u>Interest revenue</u>	<u>Ending balance</u>	<u>Interest revenue</u>	<u>Ending balance</u>
Jih Sun International Bank Co., Ltd.	\$ 234	-	5,708	-

JIH SUN SECURITIES CO., LTD.
NOTES TO FINANCIAL STATEMENTS (CONT'D)

Terms of bond repurchase/resale agreements with related parties above are the same as those with non-related parties.

(c) Lease

The rental of offices to related parties was as follows:

<u>Name of related party</u>	<u>2008</u>	<u>2007</u>
Jih Sun International Bank Co., Ltd.	\$ 18,482	17,421
Jih Sun Futures Co., Ltd.	8,458	8,450
Jih Sun Securities Investment Consulting Co., Ltd.	723	723
Jih Sun Securities Investment Trust Corp.	106	-
Total	\$ 27,769	26,594

The Company's renting of offices and the amounts paid were as follows:

<u>Name of related party</u>	<u>2008</u>	<u>2007</u>
Jih Sun International Bank Co., Ltd.	\$ 10,078	8,036

The guarantee deposits received from related parties were as follows:

<u>Name of related party</u>	<u>December 31,</u>	
	<u>2008</u>	<u>2007</u>
Jih Sun Futures Co., Ltd.	\$ 1,840	1,840
Jih Sun International Bank Co., Ltd.	4,125	4,042
Total	\$ 5,965	5,882

(d) The accounts receivable and accounts payable with related parties were as follows:

<u>Name of Related Party</u>	<u>December 31,</u>			
	<u>2008</u>		<u>2007</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
<u>Accounts Receivable</u>				
Jih Sun Futures Co., Ltd.	\$ 16,265	2	-	-
Jih Sun Securities Investment Trust Corp.	40	-	13,730	1
Total	\$ 16,305	2	13,730	1
<u>Other Receivables</u>				
Jih Sun International Bank Ltd.	\$ 14,879	38	12,239	26
Jih Sun Futures Co., Ltd.	479	1	640	1
Jih Sun Securities Investment Trust Corp.	159	-	-	-
Jih Sun Securities Investment Consulting Co., Ltd.	10	-	-	-
Total	\$ 15,527	39	12,879	27

JIH SUN SECURITIES CO., LTD.
NOTES TO FINANCIAL STATEMENTS (CONT'D)

<u>Name of Related Party</u>	<u>December 31,</u>			
	<u>2008</u>		<u>2007</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
<u>Other Payables</u>				
Jih Sun International Bank Ltd.	\$ -	-	39	-
Jih Sun Holdings Co., Ltd. (Note)	147,171	13	625,955	30
Jih Sun Securities Investment Consulting Co., Ltd.	1,785	-	1,585	-
Total	<u>\$ 148,956</u>	<u>13</u>	<u>\$ 627,579</u>	<u>30</u>

Note: This amount was payables to parent company for the consolidated tax return.

- (e) Property transaction with related parties were as follows (Note):

<u>Name of related party</u>	<u>December 31,</u>	
	<u>2008</u>	<u>2007</u>
Jih Sun International Bank Ltd.	\$ (178,823)	-
Jih Sun Holdings Co., Ltd.	(531)	-
Jih Sun Securities Investment Trust Corp.	6	-

Note: Except for \$178,550 dollars purchasing the securities of Taiwan Futures Exchange Co., Ltd. from Jih Sun International Bank Ltd, the others are transactions of buying and selling fixed assets.

- (f) Others

1. Other transactions between Jih Sun Futures Co., Ltd. and the Company were as follows:

	<u>2008</u>	<u>2007</u>
Securities registration and service fee (revenue from computer printing included)	\$ 481	481
Commission revenue for futures	177,449	165,700
Revenue from utilities expense allocated	1,036	3,226
Clearing fee	11	11
Futures settlement fund (recorded as guarantee deposits paid)	47,000	48,000
Revenue from information service revenue	1500	-

JIH SUN SECURITIES CO., LTD.
NOTES TO FINANCIAL STATEMENTS (CONT'D)

2. Other transactions between Jih Sun International Bank Ltd. and the Company were as follows:

	2008	2007
Securities registration and service fee (revenue from computer printing included)	\$ 720	660
Revenue from management fee allocated (Note)	131,192	163,687
Financial expenses	78	1,669
Revenue from utilities expense allocated	6,587	2,934

Note: Refers to the management fee for Jih Sun International Bank Co., Ltd. to deliver settlement money from customers and other related fees.

As of December 31, 2008 and 2007, the Company had a deposit balance in Jih Sun International Bank Ltd. were as follows:

	Ending balance	Max balance	Interest	Interest rate range
2008	\$ 6,148,607	14,031,222	36,151	0.0%~2.71%
2007	1,657,316	6,671,282	10,853	0.0%~2.58%

As of December 31, 2008 and 2007, Jih Sun International Bank Co., Ltd. had approved a guaranteed line of credit amounting to \$1,100,000 thousand to the Company, and the loan balances were \$0 and \$460,000 thousand of December 31, 2008 and 2007, respectively. As of December 31, 2008, and 2007, the company had provided securities as pledged assets .

3. Other transactions between Jih Sun Securities Investment Consulting Co., Ltd. and the Company were as follows:

	2008	2007
Professional fee	\$ 18,711	19,008
Magazine fee	4,832	4,526
Subtotal	\$ 23,543	23,534

4. Other transactions with Jih Sun Holdings Co., Ltd. were as follows:

	2008	2007
Securities registration and service fee (revenue from computer printing included)	\$ 12,624	14,706

5. Other transactions between Jih Sun Securities Investment Trust Co., Ltd. and the Company were as follows:

	2008	2007
Service revenue	\$ 240	-
Revenue from utilities expense allocated	2,001	-
Subtotal	\$ 2,241	-

6. The Company paid brokerage handling charges to Hong-Kong JS Cresvale

JIH SUN SECURITIES CO., LTD.
NOTES TO FINANCIAL STATEMENTS (CONT'D)

Securities International Limited for securities trading abroad of \$2,463 thousand and \$3,230 thousand dollars in 2008 and 2007, respectively.

(C) SALARY INFORMATION FOR MAIN MANAGEMENT

As of December 31, 2008 and 2007, the company's director's, supervisors, general manager and vice general managers are as follows :

	2008	2007
Salary	\$ 26,677	25,870
Bouns and The compensation for extraordinary expenses	3,485	9,911
Executive Expenses	2,790	3,385
Employee bonuses	1,250	1,866
Amount	\$ 34,202	41,032

(26) PLEDGED ASSETS

Pledged assets	Objects	December 31,	
		2008	2007
Pledged assets – current	Bank Loan	\$ 1,274,710	1,436,500
Pledged assets – non-current	Corporate Bonds	-	60,000
Available-for-sale-financial assets – non-current	Bank Loan	752,669	735,572
Fixed assets – land	Corporate Bonds	1,259,205	1,259,205
– building (net)	Corporate Bonds	568,404	389,112
Time deposits (recorded as guarantee deposits paid)	Court Drawing	22,394	14,000
Total		\$ 3,877,382	3,894,389

(27) SIGNIFICANT COMMITMENTS AND CONTINGENCIES

The Company's significant commitments and contingencies on December 31, 2008 and 2007, are summarized as follows:

- (A) As of December 31, 2008 and 2007, the Company had issued post-dated checks for future rental payments, which amounted to \$20,662 thousand and \$30,030 thousand, respectively.
- (B) As of December 31, 2008 and 2007, in connection with its securities financing activities, the Company held client-owned stocks which amounted to approximately 717,874,575 shares and 1,142,461,320 shares, respectively; stocks loaned out to clients amounted to approximately 43,137,000 shares and 28,668,000 shares, respectively, for which the Company received guarantee deposits in full from the clients.

JIH SUN SECURITIES CO., LTD.
NOTES TO FINANCIAL STATEMENTS (CONT'D)

- (C) The Company 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 a significant amount of notes unpaid. Therefore, the investors have sued the directors and supervisors, the independent auditors, and the underwriters of Jeng-Yih Company for total damages of \$71,017 thousand. The primary court considered the securities dealers only had to compensate the bona fide opposite party subscribing the securities. Because the Company had compromised with the majority of the investors and paid off, and there was remaining one investor unreconciled, the court judged the company to pay the investor \$24 thousand dollars. The unreconciled investor and the other investors who didn't buy securities from the Company couldn't accept, and they sued to Taiwan High Court on December 22, 2006. The lawsuit is still in process. Except for the abovementioned compromised amounts, the company considered there is no responsibility for any additional compensation liability, therefore, no accrual was booked.
- (D) As of December 31, 2008 and 2007, the Company had applied to the court for provisional seizure in connection with protection of its rights related to collateral on defaulted securities transactions. Therefore, the Company made guarantee deposits of \$8,727 thousand and \$8,984 thousand, respectively (recorded as guarantee deposit-out) and seized the debtor's assets.
- (E) Three customers of the Tai-Chung Branch alleged that a former employee at the Tai-Chung Branch had sold their stock without permission, and stolen their bank savings. Therefore, the client requested the Company to be responsible jointly and claimed for \$82,757 thousand with interest. The litigation procedure is in process. Except the case that client Yang sued the Company for \$26,890 thousand was a controversial issue which compensation was accrued, the Company considered that the other two clients' claim should be a debt dispute between the client and the employee. Therefore, there is no additional compensation liability, and no accrual was booked.
- (F) The customer of Xin-Yi branch alleged that the employee did not follow the instruction to buy or sell stock, so the client requested the company to pay \$13,732 thousand to compensate his loss. The primary court judged it unreasonable, and overruled the plaintiff's assertion. The customer refused to accept the ruling and sued to Taiwan High Court. The suit is in process. The Company considered that the claim should be a debt dispute between the client and the employee. Therefore, there is no additional compensation liability, and no accrual was booked.

(28) SIGNIFICANT CATASTROPHIC LOSS : NONE

(29) SIGNIFICANT SUBSEQUENT EVENTS : NONE

JIH SUN SECURITIES CO., LTD.
NOTES TO FINANCIAL STATEMENTS (CONT'D)

(30) OTHERS

(A) Summary of Employee Expense, Depreciation, Depletion and Amortization

	2008			2007		
	Operating cost	Operating expense	Total	Operating cost	Operating expense	Total
Employee expense						
Payroll	-	1,380,231	1,380,231	-	1,714,200	1,714,200
Insurance	-	103,655	103,655	-	99,371	99,371
Retirement	-	108,433	108,433	-	93,990	93,990
Others	-	54,277	54,277	-	55,909	55,909
Depreciation	-	145,753	145,753	-	155,864	155,864
Amortization	-	24,214	24,214	-	44,186	44,186

(B) Limits on Financial Ratios and Conditions According to Rules on Futures Transactions

As of December 31, 2008 and 2007, disclosures related to the Company's financial ratios, as required by the Rules Governing Futures Commission Merchants, were as follows:

Article	Formula	Current Period		Previous Period		Benchmark	Result
		Calculation	Ratio	Calculation	Ratio		
17	Equities/(Liabilities – Customers' Equity in Futures Transactions – Futures Trading Loss Reserve – Default Reserve)	<u>1,612,002</u> 6,371	25,302%	<u>1,618,292</u> 125,675	1,288%	≥ 1	Meets benchmark
17	Current Assets/Current Liabilities	<u>1,571,922</u> 6,371	24,673%	<u>1,702,397</u> 125,675	1,355%	≥ 1	"
22	Equities/Minimum Paid-in Capital	<u>1,612,002</u> 400,000	403%	<u>1,618,292</u> 400,000	405%	$\geq 60\%$ $\geq 40\%$	"
22	Adjusted Net Capital/The Total Amount of Margins Required for the Non-offset Position of the Futures Customers	<u>1,605,819</u> 6,843	23,467%	<u>1,390,714</u> 236,952	587%	$\geq 20\%$ $\geq 15\%$	"

(C) Special Risk of Futures Contracts

The Company engaged in the activities of futures dealing. Market price risk was its holding risk. The Company has implemented stop loss points based upon related risk, and the loss incurred should be within the expected range.

(31) Disclosures Required

JIH SUN SECURITIES CO., LTD.
NOTES TO FINANCIAL STATEMENTS (CONT'D)

A. Related information on significant transactions:

1. Loans to other businesses or individuals: none.
2. Endorsements and guarantees for others: none.
3. Acquisition of real estate exceeding \$100,000 thousand dollars or 20% of paid-in capital: none.
4. Disposal of real estate exceeding \$100,000 thousand dollars or 20% of paid-in capital: none.
5. Discount on commission fees for transactions with related parties up to \$5,000 thousand dollars: none.
6. Receivables from related parties up to \$100,000 thousand dollars or 20% of paid-in capital: none.

B. Related information on investee companies:

1. Related information regarding the name and the location of the investee companies:

Names of Investor	Names of Investee company	Address	Main Business scope	Initial investment		Period-end holding balance			Investee company's current profit and loss	Investment income (loss) recognized by the Company	Remark
				The end of this year	The end of last year	Shares	Percentage	Book Value			
Jih Sun Securities Co.,Ltd	Jih Sun Futures Co.,Ltd.	F4, No.111, Sec.2, Nan King E. Rd., Taipei	Futures brokerage and proprietary trading	618,268	618,268	68,696,435	98.138%	1,233,231	239,889	231,222	subsidiary
"	Jih Sun International Investment Holding Company Limited	Sotia Centre, 4th Floor, P.O. Box 2804, George Town, Grand Cayman, Cayman Islands	1. Securities brokerage and proprietary trading 2. Underwriting 3. Securities research and analysis 4. Corporate and individual financial planning 5. Financing business 6. Investment trust 7. Futures 8. Holding company to recognize profit and loss of investment	1,795,250	1,795,250	54,600,000	100%	1,703,647	50,966	50,966	subsidiary
Jih Sun Securities	Jih Sun Securities	F7, No.111, Sec.2, Nan King E. Rd., Taipei	Provide advisory and consulting	173,600	173,600	10,000,000	100%	63,704	369	352	subsidiary

JIH SUN SECURITIES CO., LTD.
NOTES TO FINANCIAL STATEMENTS (CONT'D)

Names of Investor	Names of Investee company	Address	Main Business scope	Initial investment		Period-end holding balance			Investee company's current profit and loss	Investment income (loss) recognized by the Company	Remark
				The end of this year	The end of last year	Shares	Percentage	Book Value			
Co.,Ltd	Investment Consulting Co.,Ltd.		related with securities investment on a consigned basis								
"	Jih Sun Futures Management Co.,Ltd	F12, No.111, Sec.2, Nan King E.Rd., Taipei	Futures brokerage and dealing	200,000	200,000	20,000,000	100%	162,513	(5,331)	(5,331)	"
"	Jih Sun Securities Investment Trust Corp.	F5, No.111, Sec.2, Nan King E. Rd., Taipei	Securities investment trust business and discretionary investment business	211,380	74,880	7,800,000	20%	223,536	144,758	23,076	"
Jih Sun International Investment Holding Company Limited	JS Cresvale Securities International Limited	Rm23, EIB Centre, 40-44 Bonham Strand East, Sheung Wan, HK	Brokerage, underwriting, proprietary trading	USD 37,234	USD 37,234	293,000,000	100%	USD 33,523	USD 4,562	USD 4,562	third-level subsidiary
"	Jih Sun Services (Cayman) Limited.	Scotia, 4th Floor, P.O. Box 2804, GeorgeTown, GrandCayman, Cayman Islands	Securities, financial investment consulting	USD 18,050	USD 18,050	18,050,000	100%	USD 16,397	USD (2,891)	USD (2,891)	"
"	Jih Sun Capital Management Limited	P.O.Box 146, RoadTown, Tortola, British Virgin Islands	Fund and asset management and consulting	USD 100	USD 100	100,000	100%	USD 1,520	USD (64)	USD (64)	"
JS Cresvale Securities International Limited	JS Cresvale Financing Limited	Rm23, EIB Centre, 40-44 Bonham Strand East, Sheung Wan, HK	Stock brokerage, futures brokerage & sales of mutual funds	HKD 20,000	HKD 20,000	2,000,000	100%	HKD 21,102	HKD 167	HKD 167	"

2. Loans to other businesses or individuals: none.

3. Endorsements and guarantees for others: none.

4. Acquisition of real estate exceeding \$100,000 thousand dollars or 20% of paid-in capital: none.

5. Disposal of real estate exceeding \$100,000 thousand dollars or 20% of paid-in capital: none.

6. Discount on commission fees for transactions with related parties up to \$5,000 thousand dollars: none.

7. Receivables from related parties up to \$100,000 thousand dollars or 20% of paid-in capital: none.

C. Disclosure of investments in China: none.

JIH SUN SECURITIES CO., LTD.
NOTES TO FINANCIAL STATEMENTS (CONT'D)

D. Related information regarding countries and regions of securities business investee without securities authority.

Pursuant to FSC's Securities of Futures Bureau (SFB) Ruling Letter No. 0920004507 of October 31, 2003, the disclosures related to the Company's investment in foreign enterprises of British Virgin Islands for the year ended December 31, 2008, were as follows:

1. Concise Balance Sheet Statement and Income Statement

(1) Balance Sheet Statement

Items	Company	Jih Sun International Investment Holding Company Limited	Jih Sun Services (Cayman) Limited.	Jih Sun Capital Management Limited
Current assets		USD\$ 501,147	USD\$28,288,834	USD\$ 1,526,491
Fund and Investments		51,440,026	932,330	-
Fixed Assets		-	-	-
Other Assets		-	-	-
Current Liabilities		690	12,824,157	6,581
Capital Stock		54,600,000	18,050,000	100,000
Retained Earnings		(1,906,889)	(26,724)	1,416,645
Cumulative Translation adjustments		(59,578)	-	3,265
Unrealized Loss On Financial Instrument		(693,050)	(1,626,269)	-
Total Assets		51,941,173	29,221,164	1,526,491
Total Liabilities		690	12,824,157	6,581
Shareholders' equity		51,940,483	16,397,007	1,519,910

(2) Income Statement

Unit: dollar

Items	Company	Jih Sun International Investment Holding Company Limited	Jih Sun Services (Cayman) Limited.	Jih Sun Capital Management Limited
Operating Income		USD\$ 1,607,246	USD\$ 3,317,023	USD\$ -
Operating Expenses		(3,852)	(5,308,591)	(26,052)
Non-operating Income		12,840	-	31,745
Non-operating expence		-	(899,341)	(69,658)
Net Gain(Loss) Before Taxes		1,616,234	(2,890,909)	(63,965)
Net Gain(Loss) After Taxes		1,616,234	(2,890,909)	(63,965)

JIH SUN SECURITIES CO., LTD.
NOTES TO FINANCIAL STATEMENTS (CONT'D)

2. Marketable securities held as of December 31, 2008:

Name of company holding securities	Marketable Securities type and name	Account	2008.12.31	
			Shares	Amount
Jih Sun Interational Investment Holding Company Limited	JS Cresvale Securities International Limited	Long-term Investment under equity method	293,000,000	\$33,523,107
	Jih Sun Services(Cayman) Limited.	"	18,050,000	16,397,008
	Jih Sun Capital Management Limited	"	100,000	1,519,910
	Subtotal			\$51,440,025
Jih Sun Services (CAYMAN) Limited.	Citibank International Plc.	Financial assets measured at fair value through profit or loss-current	3,000,000	\$ 3,000,000
	Chi Mei Corporation	"	3,060,000	3,014,100
	Yuen Foogn Yu(CLN)	"	3,000,000	2,997,000
	Others (less than USD3,000,000)			13,390,244
	Total			22,401,344
	Altor Corporation	Available-for-sale financial assets-non-current	41,237	-
	Thallion Pharmaceuticals Inc.	"	1,671	-
	Caprion Corporation	"	1,773	8,599
	Global Corporation	"	125,000	1
	JSA Venture Capital Corp.	"	2,300,000	923,730
	Total		-	932,330
Subtotal		-	\$23,333,674	

3. Financial instrument transaction and the origin of capital source:

Financial instrument transaction and the origin of capital source are disclosed in note 31(B). Jih Sun International Investment Holding Company Limited invests the subsidiary in its own reserve. Jih Sun Services(Cayman) Limited engaged in financial derivative instrument transactions in its own reserve and the capital gained from conditional transactions.

4. Related-party transactions:

Jih Sun International Investment Holding Company Limited, Jih Sun Services(Cayman) Limited, and Jih Sun Capital Management limited had no significant transactions with related-party in year 2008.

5. Lawsuit events:

Jih Sun International Investment Holding Company Limited, Jih Sun Services(Cayman) Limited, and Jih Sun Capital Management limited had no lawsuits in year 2008.

JIH SUN SECURITIES CO., LTD.
NOTES TO FINANCIAL STATEMENTS (CONT'D)

(32) SEGMENT FINANCIAL INFORMATION DISCLOSURE

(A) The Company's financial information on industry segments for 2008 and 2007 is as follows:

<u>2008</u>	<u>Brokerage</u>	<u>Dealer</u>	<u>Underwriter</u>	<u>Warrants</u>	<u>Futures</u>	<u>other</u>	<u>Total</u>
Revenue	<u>\$ 3,887,533</u>	<u>306,085</u>	<u>133,405</u>	<u>119,833</u>	<u>541,722</u>	<u>52,428</u>	<u>5,041,006</u>
Segment income or loss	<u>\$ 1,511,365</u>	<u>(444,980)</u>	<u>(71,911)</u>	<u>(94,007)</u>	<u>(25,415)</u>	<u>52,428</u>	927,480
Non-operating income							610,445
General expenses							(764,087)
Income from continuing operations							<u>773,838</u>
Identifiable assets	<u>\$ 7,421,620</u>	<u>12,519,151</u>	<u>642,229</u>		<u>227,578</u>	-	20,810,578
Funds and long-term investments							4,792,623
General assets							12,064,803
Total assets							<u>37,668,004</u>
Depreciation and amortization expenses	<u>\$ 99,765</u>	<u>3,894</u>	<u>1,467</u>	<u>2,239</u>	-	-	<u>107,365</u>
<u>2007</u>	<u>Brokerage</u>	<u>Dealer</u>	<u>Underwriter</u>	<u>Warrants</u>	<u>Futures</u>	<u>other</u>	<u>Total</u>
Revenue	<u>\$ 5,784,575</u>	<u>934,050</u>	<u>391,242</u>	<u>599,880</u>	<u>946,982</u>	<u>55,032</u>	<u>8,711,761</u>
Segment income or loss	<u>\$ 2,949,317</u>	<u>193,641</u>	<u>272,371</u>	<u>128,294</u>	<u>(107,423)</u>	<u>55,032</u>	3,491,232
Non-operating income							719,994
General expenses							(849,342)
Income from continuing operations							<u>3,361,884</u>
Identifiable assets	<u>\$ 24,046,610</u>	<u>17,203,333</u>	<u>908,609</u>	<u>841,838</u>	<u>735,953</u>	-	43,736,343
Funds and long-term investments							4,256,894
General assets							7,896,438
Total assets							<u>55,889,675</u>
Depreciation and amortization expenses	<u>\$ 121,026</u>	<u>4,089</u>	<u>1,738</u>	<u>2,607</u>	<u>5</u>	-	<u>129,465</u>

The company primarily engages in the activities of securities brokerage, securities dealing, securities underwriting, stock warrant issuance, futures dealing, and auxiliary services for futures trading. The above-listed segment income refers to segment income from customers outside of the Company, but it does not include the Company's non-operating income not related to the segment.

The segment income or loss refers to the balance after deducting segment cost and expenses. Such costs and expenses relate to segment income. Indirect operating costs and expenses are allocated to each segment based upon the percentage of employees, but the segment costs and expenses do not include the Company's general expenses not related to the segment.

Segment identifiable assets are based on tangible and non-tangible assets directly associated with the segment. If two or more segments use such assets, then they are allocated to each segment based upon the percentage of employees. However, the segment identifiable assets do not include the following:

- (a) Assets not held specifically for any one segment's operating use.
- (b) Long-term equity investments accounted for under the equity method and cost method.

JIH SUN SECURITIES CO., LTD.
NOTES TO FINANCIAL STATEMENTS (CONT'D)

(B) Information by geographical region and export information

There is no overseas operating unit, and the area of operations is in Taiwan. There is no overseas operating income.

(C) Information on major clients

No single client represented 10% or more of the Company's operating revenues during 2008 and 2007.

JIH SUN SECURITIES CO., LTD. — FUTURES DEPARTMENT

SEGMENT FINANCIAL INFORMATION DISCLOSURE

AS OF DECEMBER 31, 2008 and 2007

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Jih Sun Securities Co., Ltd. – Futures Department
Balance Sheets
December 31, 2008 and 2007
(expressed in thousands of New Taiwan dollars)

	December 31,					December 31,			
	2008		2007			2008		2007	
<u>Assets</u>	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>	<u>Liabilities and Stockholders' Equity</u>	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Current Assets					Current Liabilities				
Cash and cash equivalents (Note 4)	\$1,341,546	83	\$ 965,040	55	Financial liabilities measured at fair value through profit or loss - current	\$ 2,521	-	123,025	8
Financial assets measured at fair value through profit or loss – current (Note 5)	227,578	14	735,953	42	Other payable – non-related party	3,850	-	2,650	-
Prepayments	2,106	-	966	-	Total current liabilities	6,371	-	125,675	8
Other receivables - non-related party	401	-	325	-	Other Liabilities				
Other receivables - related party	291	-	113	-	Securities trading loss reserve	3,549	-	8,430	-
Total current assets	<u>1,571,922</u>	<u>97</u>	<u>1,702,397</u>	<u>97</u>	Total Current Liabilities	<u>3,549</u>	<u>-</u>	<u>8,430</u>	<u>-</u>
Other Assets					Total Liabilities	<u>9,920</u>	<u>-</u>	<u>134,105</u>	<u>8</u>
Operating deposits (Note 6)	10,000	1	10,000	1	Stockholders' Equity				
Securities settlement fund	40,000	2	40,000	2	Assigned working capital	1,700,000	105	1,700,000	97
Total other assets	<u>50,000</u>	<u>3</u>	<u>50,000</u>	<u>3</u>	Retained earnings (or Accumulated loss)	(87,998)	(5)	(81,708)	(5)
					Total stockholders' equity	<u>1,612,002</u>	<u>100</u>	<u>1,618,292</u>	<u>92</u>
Total Assets	<u>\$1,621,922</u>	<u>100</u>	<u>\$1,752,397</u>	<u>100</u>	Total Liabilities and Stockholders' Equity	<u>\$ 1,621,922</u>	<u>100</u>	<u>1,752,397</u>	<u>100</u>

(See the accompanying notes to the financial statements)

Jih Sun Securities Co., Ltd. – Futures Department
Statements of Income
For the years ended December 31, 2008 and 2007
(expressed in thousands of New Taiwan dollars)

<u>Items</u>	<u>2008</u>		<u>2007</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Revenue(Note2(L))				
Gain on financial derivative instruments- future (Note7)	\$ 533,292	94	946,982	98
Other operating revenue	8,430	1	-	-
- Non-operating income	<u>27,128</u>	<u>5</u>	<u>23,993</u>	<u>2</u>
	<u>568,850</u>	<u>100</u>	<u>970,975</u>	<u>100</u>
Expense				
Handling charges - dealers	3,643	1	3,775	-
Clearing fee	2,140	-	2,686	-
Loss on financial derivative instruments- future(Note7)	543,424	95	1,000,087	103
Operating expense	17,930	3	47,567	5
Non-operating expenses	<u>4,451</u>	<u>1</u>	<u>2,862</u>	<u>-</u>
	<u>571,588</u>	<u>100</u>	<u>1,056,977</u>	<u>108</u>
Income (loss) before income tax	(2,738)	-	(86,002)	(8)
Income tax expense	<u>(3,552)</u>	<u>(1)</u>	<u>(1,776)</u>	<u>-</u>
Net loss	<u>\$ (6,290)</u>	<u>(1)</u>	<u>(87,778)</u>	<u>(8)</u>

(See the accompanying notes to the financial statements)

JIH SUN SECURITIES CO., LTD. – FUTURES DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(expressed in thousands of New Taiwan dollars, unless otherwise stated)

(1) ORGANIZATION AND OPERATIONS

Jih Sun Securities Co., Ltd. (the “Company”) was authorized to engage in the dealership of futures trading by the SFC in November 2001.

(2) SIGNIFICANT ACCOUNTING POLICIES

The Company’s financial statements were prepared in accordance with the “Criteria Governing the Preparation of Financial Statements by Futures Commission Merchants”, “Business Entity Accounting Act”, “Regulation on Business Entity Accounting Handling” and generally accepted accounting principles in the Republic of China. A summary of significant accounting policies and the measurement basis is as follows:

(A) Estimate of Accounting

The Company’s financial statements were prepared in accordance with generally accepted accounting principles. The company had to use the reasonable amount of estimation for allowance for doubtful accounts, pension, asset impairment, default indemnity reserve, securities trading loss reserve, etc. Because estimation was usually judged under the uncertain condition, it probably had the difference from future actual effect.

(B) Asset impairment

Effective from 2005, the Company adopted Statement of Financial Accounting Standards No. 35 (SFAS No. 35) “Impairment of Assets”. In accordance with SFAS No. 35, the Company assesses at each balance sheet date whether there is any indication that an asset (individual asset or cash-generating unit other than goodwill) may have been impaired. If any such indication exists, the Company estimates the recoverable amount of the asset. The Company recognizes impairment loss for an asset whose carrying value is higher than the recoverable amount.

The Company reverses an impairment loss recognized in prior periods for assets other than goodwill if there is any indication that the impairment loss recognized no longer exists or has decreased. 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 in prior periods.

(C) Translation of Foreign Currency Transaction and Foreign Currency Financial Statement

The non-derivative foreign currency transactions of the Bank are recorded at the rate of exchange prevailing on the date of the transaction. Monetary assets and liabilities denominated in foreign currency translated into the functional currency at the rate of exchange ruling at the balance sheet date. Any resulting exchange differences are included in the income statement. Non-monetary assets and liabilities that are measured in terms of

JIH SUN SECURITIES CO., LTD. – FUTURES DEPARTMENT
NOTES TO FINANCIAL STATEMENTS (CONT'D)

historical cost in a foreign currency are translated into the functional currency using the rate of exchange at the date of the initial transaction. Non-monetary assets and liabilities measured at fair value in a foreign currency are translated into the functional currency using the rate of exchange ruling at the balance sheet date. Any exchange differences resulting from fair value variation through profit and loss are included in the income statement, and exchange differences resulting from fair value variation through equity are accounted for under equity adjustments. Foreign currency denominated assets and liabilities of overseas subsidiaries are translated at the spot rate on the balance sheet date. The foreign operating institutions with equity-method are all recorded by functional currency. The components of their stockholders' equity is translated at the historical rate with difference reflected as cumulative translation adjustments to stockholders' equity.

(D) Classification of Assets and Liabilities as Current or Non-current

Current assets are those which will be converted into cash or be used up in one year. Other assets are classified as non-current assets. Current liabilities are those which will be paid off in one year. Other liabilities are classified as non-current liabilities.

(E) Cash and Cash Equivalents

Cash and cash equivalents include cash, bank accounts, and short-term investments which could be converted to cash anytime and which do not have a significant level of market risk related to potential interest rate changes.

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

The company adopted SFAS No. 34 "Accounting for Financial Instruments" commencing from January 1, 2006. The company adopted transaction-date accounting for financial instrument transactions. At the beginning of recognition, financial instruments are evaluated at fair value.

Financial assets held for trading means financial instruments referred as trading purpose at the beginning of recognition.

Financial assets - trading include the following:

- (a) The main purpose is to sell or repurchase in the short run.
- (b) Belongs to the part of identified financial instrument combination. The significant evidence reveal that combination would gain in the short run
- (c) Financial derivative instruments assets (Except for financial guaranteed contract and assigned as derivative instrument of effective hedging)

Financial assets held for trading should be classified as open-end funds and money market instrument, trading securities and derivative instruments according to the trading purpose.

JIH SUN SECURITIES CO., LTD. – FUTURES DEPARTMENT
NOTES TO FINANCIAL STATEMENTS (CONT'D)

Financial assets at fair value through profit or loss, other than OTC stocks, shall be measured at their fair value, which is the market closing price at the balance sheet date. The fair value of open-end mutual funds is the net asset value at the balance sheet date.

If there is an increase in financial assets at fair value through profit or loss due to stock dividends received, the number of shares received shall be noted and the cost of investment shall be recalculated by applying the weighted-average method.

The company reclassified the financial assets at fair value through profit or loss(not belong to derivative instruments) as the 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. This change had no effects on the department.

(G) Fixed Assets and Depreciation

Property and equipment are stated at cost. Except for land, depreciation is calculated by the straight-line method over estimated economic lives. Leasehold improvements should be depreciated by the straight-line method over the lease period or estimated economic lives, which is shorter. Major additions and improvements are capitalized, while repairs and maintenance are recorded as current expense when incurred.

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

The company adopted SFAS No. 34 “Accounting for Financial Instruments” commencing from January 1, 2006. The financial instruments the company held was financial assets at fair value through profit or loss.

The company adopted transaction-date accounting for financial instrument transactions. At the beginning of recognition, financial instruments are evaluated at fair value. Except for trading-purpose financial instruments, acquisition cost or issuance cost is added to the original recognized amount. .

Financial liabilities measured at fair value through profit or loss are those whose changes in fair value are charged to the income statement.

Financial liabilities include the following:

- (a) Those sold principally for the purpose of repurchasing them in the near term.
- (b) Part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking.
- (c) Derivative liabilities.

JIH SUN SECURITIES CO., LTD. – FUTURES DEPARTMENT
NOTES TO FINANCIAL STATEMENTS (CONT'D)

(d) The subsequent evaluation of the financial assets have been estimated at fair value and its fair value was negative. The subject was classified as redeemable bonds, call warrants, securities and derivative instruments, etc. The derivative financial instruments liabilities refer to the liabilities from the brokers' engagement in domestic and foreign financial instrument transactions.

(I) Trading Losses Reserve

A securities firm engaged in futures dealing business must, on a monthly basis, set aside 10% of the realized net profit of each month as a reserve for trading losses. Such reserve may only be used to offset the excess of futures trading loss over gain.

(J) Inter-departmental Account

The Company engages in the activities of futures dealing. The account used to account for transactions between the securities and futures department is the inter-departmental account.

(K) Assigned Working Capital

The Company engages in the activities of futures dealing and assigns the working capital to the futures department.

(L) Recognition of Revenue

Revenue is recognized when realized or deemed realizable and earned.

(M) Income Tax

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

(3) REASONS FOR AND EFFECT OF ACCOUNTING CHANGES

As of January 1, 2007, according to the Republic of China Statements of Financial Accounting Standards (SFAS) No. 37 "Accounting for Intangible Assets", there is no effect for net income and earning per share for the department.

As of January 1, 2008, SFAS No.39 "Accounting for fundamental stock offer" Republic of China Statements of Financial Accounting Standards (SFAS) and No.52 of Accounting Research and Development Foundation (96) was first adopted. The adoption had no effects on the department.

Since July 1, 2008, in compliance with the second revised article of the Republic of China Statements of Financial Accounting Standards (SFAS) No. 34 "Financial Instruments: Recognition and Measurement", the company engaged in reclassification on financial assets. This change had no effects on the department.

**JIH SUN SECURITIES CO., LTD. – FUTURES DEPARTMENT
NOTES TO FINANCIAL STATEMENTS (CONT'D)**

(4) CASH AND CASH EQUIVALENTS

	December 31,	
	2008	2007
Demand deposits	\$ 21,546	20,850
Time deposits	1,320,000	600,000
Commercial paper	-	344,190
Total	\$ 1,341,546	965,040

(5) FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS - CURRENT

	December 31,	
	2008	2007
Call options – speculation	\$ 2,200	13,967
Deposits on future transactions	225,378	721,986
Total	\$ 227,578	735,953

(6) OPERATING DEPOSITS

In accordance with the “Rules Governing Futures Commission Merchants”, as of December 31, 2008 and 2007, the company’s futures department had provided \$10,000 thousand of time deposits as operating deposits.

(7) FINANCIAL INSTRUMENTS

(A) Financial Derivatives Instruments :

(a) Contract amount and fair value

As of December 31, 2008 and 2007, the Company’s futures contracts were as follows:

Items	Transaction Type	Holder Seller	Volume	Contract Amount	Fair Value	Notes
Dec. 31, 2008						
Options	Taiwan Stock Index Option -Call	Holder	232	\$ 1,414	1,002	Speculation
Options	Taiwan Stock Index Option -Put	Holder	183	1,440	1,108	"
Options	Financial Index Option -Put	Holder	10	7	-	"
Options	Stock Options - Call	Holder	2	1	1	"
Options	Non Electronics Sub-Index Options-Call	Holder	10	74	57	"
Options	Electronics Index Option -Call	Holder	10	62	32	"
Total			447	\$ 2,998	2,200	
Futures	Taiwan Stock Index Futures	Seller	28	\$ (25,083)	(25,469)	Speculation
Total			28	\$ (25,083)	(25,469)	

JIH SUN SECURITIES CO., LTD. – FUTURES DEPARTMENT
NOTES TO FINANCIAL STATEMENTS (CONT'D)

Items	Transaction Type	Holder Seller	Volume	Contract Amount	Fair Value	Notes
Options	Taiwan Stock Index Option -Call	Seller	577	\$ (1,101)	(1,210)	Speculation
Options	Taiwan Stock Index Option -Putl	Seller	557	(1,609)	(1,244)	"
Options	Electronics Index Option -Call	Seller	10	(50)	(19)	"
Options	Stock Options - Call	Seller	20	(2)	(6)	"
Options	Morgan Taiwan Stock Index Financial Index Option -Put	Seller	90	-	-	"
Options	Non Electronics Sub-Index Options-Call	Seller	9	(5)	-	"
Options		Seller	10	(52)	(42)	"
Total			<u>1,273</u>	<u>\$ (2,819)</u>	<u>(2,521)</u>	

Items	Transaction Type	Holder Seller	Volume	Contract Amount	Fair Value	Notes
Dec. 31, 2007						
Futures	Financial Index Futures	Holder	2	\$ 1,852	1,880	Speculation
Futures	TAIFEX Gold Futures	Holder	4	10,836	11,025	"
Futures	10 – year Government Bond Futures	Holder	1	5,150	5,147	"
Futures	Taiwan Stock Index Futures	Holder	430	704,699	729,540	"
Total			<u>437</u>	<u>\$ 722,537</u>	<u>747,592</u>	
Options	Taiwan Stock Index Option -Call	Holder	528	\$ 18,965	12,743	Speculation
Options	Taiwan Stock Index Option -Putl	Holder	60	949	751	"
Options	Stock Options - Call	Holder	26	383	417	"
Options	Morgan Taiwan Stock Index Option	Holder	20	83	56	"
Total			<u>634</u>	<u>\$ 20,380</u>	<u>13,967</u>	
Futures	Electronics Index Futures	Seller	7	\$ (9,220)	(9,825)	Speculation
Futures	TAIFEX Gold Futures	Seller	5	(13,644)	(13,768)	"
Total			<u>12</u>	<u>\$ (22,864)</u>	<u>(23,593)</u>	
Options	Taiwan Stock Index Option -Call	Seller	14,046	\$ (74,775)	(89,607)	Speculation
Options	Taiwan Stock Index Option -Putl	Seller	8,213	(45,430)	(32,131)	"
Options	Electronics Index Option -Call	Seller	15	(54)	(109)	"
Options	Electronics Index Option -Put	Seller	10	(49)	(10)	"
Options	Financial Index Option- -Call	Seller	142	(527)	(533)	"
Options	Financial Index Option- -Put	Seller	135	(1,053)	(111)	"
Options	Market Stock Index Options -Call	Seller	32	(85)	(158)	"
Options	Non Electronics Sub-Index Option- Call	Seller	20	(176)	(265)	"
Options	Market Stock Index Options- Call	Seller	20	(62)	(10)	"

JIH SUN SECURITIES CO., LTD. – FUTURES DEPARTMENT
NOTES TO FINANCIAL STATEMENTS (CONT'D)

Options	Morgan Taiwan Stock Index Option	Seller	<u>10</u>	<u>(55)</u>	<u>(92)</u>	"
Total			<u><u>22,643</u></u>	<u><u>\$ (122,266)</u></u>	<u><u>(123,026)</u></u>	

The above-mentioned fair value is calculated based upon the closing price of Taiwan Stock Index Futures on the Taiwan Futures Exchange as of December 31, 2008 and 2007.

(b) Credit risk

The Company's transaction counter-party for futures contracts is the Taiwan Futures Exchange, which is not expected to result in credit risk.

(c) Market risk

Since the current trading futures in the Republic of China are the Taiwan Stock Index Financial Index Futures and Electronics Index Futures and the futures' price will fluctuate based upon the stock market trend, the Company has implemented stop loss points based upon the related risk, and the loss incurred should be within the expected range. Therefore, there is no significant market value risk.

(d) Liquidity risk, cash-flow risk, and the uncertainty of amount and period of future cash demand

The Company has adequate operating funds; therefore, the risk of insufficient funds to fulfill contracts is low; furthermore, futures contracts and options are traded on the Futures Exchange, and each futures contract and option has its fair market value; therefore, the risk of not being able to quickly sell such contracts at fair value in the market is low.

(e) Presentation of financial derivative instruments in the financial statements

Premiums paid by the Company related to futures contracts entered into for trading purposes are recognized as assets. Gains or losses as a result of evaluation, offset and settlement are recognized as current income. Guaranty deposits made by the Company for engaging in futures trading and option contract trading were recorded under current assets as futures margin deposits and call/put options, respectively. The above futures and options are valued at their fair values on the balance sheet date.

JIH SUN SECURITIES CO., LTD. – FUTURES DEPARTMENT
NOTES TO FINANCIAL STATEMENTS (CONT'D)

(B) Fair Value of Financial Instruments

<u>Financial Assets</u>	December 31,			
	2008		2007	
	<u>Book Value</u>	<u>Fair Value</u>	<u>Book Value</u>	<u>Fair Value</u>
Financial assets with book value equal to fair value				
Cash and cash equivalents	\$ 1,341,546	1,341,546	965,040	965,040
Other receivables - non-related party	401	401	325	325
Other receivables - related party	291	291	113	113
Operating deposits	10,000	10,000	10,000	10,000
Securities settlement fund	40,000	40,000	40,000	40,000
Financial asset measured at fair value through profit or loss - current				
Call options – speculation	2,200	2,200	13,967	13,967
Deposits for future transaction	225,378	225,378	721,986	721,986
TOTAL	<u>\$ 1,619,816</u>	<u>1,619,816</u>	<u>1,751,431</u>	<u>1,751,431</u>

<u>Financial Liabilities</u>	December 31,			
	2008		2007	
	<u>Book Value</u>	<u>Fair Value</u>	<u>Book Value</u>	<u>Fair Value</u>
Financial liabilities with book value equal to fair value	\$ 3,850	3,850	\$ 2,650	\$ 2,650
Financial liabilities measured at fair value through profit or loss - current				
Liabilities of put options	2,521	2,521	123,025	123,025
TOTAL	<u>\$ 6,371</u>	<u>6,371</u>	<u>\$ 125,675</u>	<u>\$ 125,675</u>

JIH SUN SECURITIES CO., LTD. – FUTURES DEPARTMENT
NOTES TO FINANCIAL STATEMENTS (CONT'D)

Methods and assumptions used to estimate the fair value of financial instruments are as follows:

- (a) Fair values of short-term instruments are estimated using their book value. Since such instruments will mature within a short time, book value is a reasonable basis to estimate the fair value. Short-term financial instruments comprise financial assets such as cash and cash equivalents, receivables, operating deposits, securities settlement funds, payables, and etc.
- (b) Open-end funds and money market instruments, marketable securities, call option contract, and future contract:

The fair value of marketable securities is the market price if available. Otherwise, financial or other information is used to estimate the fair value.

- (C) The company estimates the fair value of financial asset and financial liabilities by open market price of active market and evaluation method :

	2008.12.31	
	Amount by open market price	Amount by evaluation method
Financial Assets		
Financial assets with book value equal to fair value	\$ -	1,392,238
Call options – speculation	2,200	-
Deposits for future transaction	225,378	-
Financial liabilities		
Financial liabilities with book value equal to fair value	-	3,850
Put options-speculation	2,521	-

	2007.12.31	
	Amount by open market price	Amount by evaluation method
Financial Assets		
Financial assets with book value equal to fair value	\$ -	1,015,478
Call options – speculation	13,967	-
Deposits for future transaction	721,986	-
Financial liabilities		
Financial liabilities with book value equal to fair value	-	2,650
Put options-speculation	123,025	-

- (D) Financial risk information

- (a) Market risk

The Company engages in the option contract and future contract investment which are measured by fair value, so the Company has the risk of exposing investment position to the market price fluctuation of the option contract and future contract. The Company engages in equity securities which are measured at fair value, so the

JIH SUN SECURITIES CO., LTD. – FUTURES DEPARTMENT
NOTES TO FINANCIAL STATEMENTS (CONT'D)

Company has the risk of exposing investment position to the market price fluctuation of the equity securities.

The fair value of investment parts varies with the market risk factor (such as interest rate, exchange rate, etc), so the Company uses the sensitive analysis to measure that if the market risk factor changes 1%, how much the risk amount of the fair value of investment parts are to serve as the reference information in coping with the market risk control.

(b) Credit risk

The Company's main latent credit risk were from cash and cash equivalents, other receivables and financial assets at fair value through profit or loss, etc. To divide its risk effectively, the company makes deposits in several well-known financial institutions. Moreover, for investments, the company only deals with high-credit-ranking companies for the purpose of eliminating credit risk. The company not only evaluates trading parties' credit condition before making a deal, but evaluates counterparties' credit condition on an ongoing basis during the course of trading.

(c). Liquidity risk

The capital and operating capital of the company can support to execute all the obligation of the contract, so there is no risk for unable to raising the capital. However, in order to control the liquidity risk of managing the capital effectively, the company prepares the analysis of the capital gap every operating date to cope with the emergency situation.

Furthermore, the equity securities for futures contracts, options and stock warrants held at year ended by the company can be traded on the Futures Exchange, and each futures contract and option has its fair market value; therefore, the risk of not being able to quickly sell such contracts at fair value in the market is low.

(d) Cash flow risk arising from interest rate change

Investment in bonds of the company were fixed-rate and floating rate. Therefore, changes in interest rate will affect future cash flow of the Company.

(E) Risk management and policy

To control the overall risks of the company effectively, the Company established a risk management committee that is responsible for risk management-related work. The risk management committee underneath the Board of Directors is independent of every business unit on the organization structure to enforce the risk management system. The Company's risk management organization includes the scope of the Board of Directors, each high-level management unit, each risk management executive unit, and each business unit. By adequate distinction between responsibility and accountability and professional division of labour, the risk management organization establishes the risk management culture which is abided corporately from up to down to assure the

JIH SUN SECURITIES CO., LTD. – FUTURES DEPARTMENT
NOTES TO FINANCIAL STATEMENTS (CONT'D)

effective operation of the risk management system.

The risk management system operates with the qualitative and quantitative methods to maintain the Company's tolerable range in facing all kinds of risks to develop the spread of the company's business items. According to the risk management policies which are approved by the Board of Directors, each risk management executive unit takes responsibility of the execution of the risk management to supervise the operating risk of each unit. Each business unit matches the operation of the risk management system to control the transaction in the range of the authorized amount.

The Company uses the risk management policies to engage financial derivative instruments to avoid specific risks of the valuation's fluctuation for holding the financial items.

(F) Financial instruments with the credit risk out of balance sheet : None

(G) Information of the credit risk conspicuously assemble :

Due to the company do not make all transactions with only one client among the widespread clients they owned ,the credit risk do not apparently assemble.

(8) RELATED-PARTY TRANSACTIONS : NONE

(9) PLEDGED ASSETS : NONE

(10) SIGNIFICANT COMMITMENTS AND CONTINGENCIES : NONE

**JIH SUN SECURITIES CO., LTD. – FUTURES DEPARTMENT
NOTES TO FINANCIAL STATEMENTS (CONT'D)**

(11) SIGNIFICANT CASUALTY LOSS : NONE

(12) INFORMATION ABOUT FINANCIAL DERIVATIVE INSTRUMENTS

For information about derivative financial instrument trading as of December 31, 2007 and 2006, please refer to Note 7(A).

(13) LIMITS ON FINANCIAL RATIOS AND CONDITIONS ACCORDING TO RULES ON FUTURES TRANSACTIONS

Article	Formula	Current Period		Previous Period		Benchmark	Result
		Calculation	Ratio	Calculation	Ratio		
17	Equities/(Liabilities – Customers' Equity in Futures Transactions – Futures Trading Loss Reserve – Default Reserve)	$\frac{1,612,002}{6,371}$	25,302%	$\frac{1,618,292}{125,675}$	1,288%	≥ 1	Meets benchmark
17	Current Assets/Current Liabilities	$\frac{1,571,922}{6,371}$	24,673%	$\frac{1,702,397}{125,675}$	1,355%	≥ 1	"
22	Equities/Minimum Paid-in Capital	$\frac{1,612,002}{400,000}$	403%	$\frac{1,618,292}{400,000}$	405%	$\geq 60\%$ $\geq 40\%$	"
22	Adjusted Net Capital/The Total Amount of Margins Required for the Non-offset Position of the Futures Customers	$\frac{1,605,819}{6,843}$	23,467%	$\frac{1,390,714}{236,952}$	587%	$\geq 20\%$ $\geq 15\%$	"

(14) SPECIAL RISK OF FUTURES CONTRACTS

The Company engaged in the activities of futures dealing. Market price risk was its holding risk. The Company has implemented stop loss points based upon related risk, and the loss incurred should be within the expected range.

(15) SEGMENT FINANCIAL INFORMATION DISCLOSURE : NONE

(16) SIGNIFICANT SUBSEQUENT EVENTS : NONE

**JIH SUN SECURITIES CO., LTD. – FUTURES DEPARTMENT
NOTES TO FINANCIAL STATEMENTS (CONT'D)**

(17) SIGNIFICANT INFORMATION RELATED TO TRANSACTIONS :

- (a) Lending to other parties: None.
- (b) Guarantees and endorsements for other parties: None.
- (c) Information on the acquisition of real estate for which the purchase amount exceeded NT\$100 million or 20% of the Bank's paid-in capital: None.
- (d) Information on the disposal of the real estate for which the sale amount exceeded NT\$100 million or 20% of the Bank's paid-in capital: None.
- (e) Information regarding discounted processing fees on transactions with related parties for which the amount exceeded NT\$5 million: None
- (f) Information regarding receivables from related parties for which the amount exceeded NT\$100 million or 20% of the Bank's paid-in capital: None

(18) INFORMATION RELATED TO REINVESTMENT : NONE

(19) INFORMATION OF INVESTMENTS IN MAINLAND CHINA : NONE

(20) OTHERS : NONE