

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

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2008 AND 2007

AND

INDEPENDENT AUDITORS' REPORT

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

CONSOLIDATED FINANCIAL STATEMENTS

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(English Translation)
Independent Auditors' Report

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

We have audited the accompanying consolidated balance sheets of Jih Sun Financial Holding Co., Ltd. and its subsidiaries as of December 31, 2008 and 2007, and the related consolidated 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 an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. These 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 present fairly, in all material respects, the financial position of Jih Sun Financial Holding Co., Ltd. and subsidiaries as of December 31, 2008 and 2007, and the results of its consolidated operations and its consolidated cash flows for the years ended, in conformity with the "Regulations Governing the Preparation of Financial Statements for Financial Holding Companies" and accounting principles generally accepted in the Republic of China.

As described in Note 3, 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's subsidiary Jih Sun Securities Co., Ltd. reclassified its financial assets since July 1, 2008. As the result of the abovementioned change, the net income of the subsidiary Jih Sun Securities Co., Ltd had increased by \$83,594 thousand dollars and the earnings per share increased by \$0.07 dollars. Therefore, net loss of Jih Sun Financial Holding Co., Ltd and its subsidiaries had decreased by \$83,594 thousand dollars and the earnings per share had increased by \$0.04 dollars.

KPMG
Taipei, Taiwan, R.O.C.
January 23, 2009

Notice to Readers

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

JIH SUN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
December 31, 2008 and 2007
(Expressed in Thousands of New Taiwan Dollars)

		December 31,2008	December 31,2007	Variation (%)			December 31,2008	December 31,2007	Variation (%)
ASSETS		Amount	Amount		LIABILITIES AND STOCKHOLDERS' EQUITY		Amount	Amount	
11000	Cash and cash equivalents(Notes (2)(E) and (4)(A))	\$ 31,800,371	6,719,612	373	21000	Deposits from Central Bank and other banks(Note (4)(L))	\$ 10,799,605	15,788,814	(32)
11500	Due from Central Bank and call loans to banks(Notes (2)(F)and (4)(B))	36,536,956	32,668,387	12	21600	Commercial paper payable-net(Notes (4)(M) and (6))	1,197,518	4,104,939	(71)
12000	Financial assets measured at fair value through profit or loss (Notes (2)(G)(H) and (4)(C)(Z))	18,566,385	29,085,510	(36)	22000	Financial liabilities measured at fair value through profit or loss (Notes (2)(G)(H) and (4)(N))	575,457	404,651	42
12500	Investment in securities purchased under resell agreements (Notes(2)(I) and (4)(D))	2,027,821	8,197,029	(75)	22500	Liabilities for bills and bonds sold under repurchase agreements (Notes (2)(G) and (4)(O))	13,036,553	16,686,328	(22)
13000	Receivables-net(Notes (2)(J)(K)(L) and (4)(E)(F))	12,244,484	31,851,121	(62)	23000	Accounts Payables(Notes (2)(K)(S) and (4)(P))	13,673,266	17,121,822	(20)
13500	Discount and Loans-net(Notes (2)(L), (4)(F) and (5))	138,644,887	166,442,058	(17)	23500	Deposits and remittances(Notes (2)(T), (4)(Q) and (5))	184,425,328	192,930,750	(4)
14000	Available-for-sale financial assets-net(Notes (2)(G), (3), (4)(G)(Z) and (6))	2,431,138	1,804,279	35	24000	Bonds payable(Notes (2)(P) and (4)(R))	10,401,500	16,000,000	(35)
15000	Investments under equity method-net(Notes (2)(M) and (4)(H))	223,536	-	100	24400	Other borrowings(Note (4)(S))	2,988,114	7,190,959	(58)
15500	Other financial assets-net(Notes (2)(G)(L)(R))	3,969,840	4,349,909	(9)	25500	Other financial liabilities	81,900	85,500	(4)
18500	Premises and equipment-net(Notes (2)(N), (4)(I) and (6))	6,557,585	7,174,022	(9)	29099	Other reserve(Notes (2)(U)(V))	347,084	325,378	7
19000	Goodwill and intangible assets-net(Notes (2)(O), (3) and (4)(J))	995,480	1,277,176	(22)	29500	Other liabilities(Notes (2)(Y) and (4)(T))	492,448	1,277,748	(61)
19500	Other assets-net(Notes (2)(Y), (4)(K)(T)(W), (5) and (6))	5,638,608	7,954,299	(29)		Total Liabilities	238,018,773	271,916,889	(12)
						Stockholders' equity			
					31000	Capital stock(Note (4)(U))			
					31001	Common stock	21,707,754	21,707,754	-
					31003	Preferred stock	4,416,740	4,416,740	-
					32011	Unappropriated earnings (accumulated deficit) (Note (4)(V))	(4,116,742)	(320,358)	(1,185)
					32521	Cumulative translation adjustments	(83,662)	(110,996)	25
					32523	Unrealized (loss) profits for available-for-sale financial assets(Notes 2(G)) and (4)(Z))	(329,340)	(97,683)	(237)
					32544	Net loss not recognized as pension cost	-	(9,172)	100
					39500	Minority interest	23,568	20,228	17
						TOTAL STOCKHOLDERS' EQUITY	21,618,318	25,606,513	(16)
						SIGNIFICANT COMMITMENTS AND CONTINGENCIES (Note (7))			
						TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 259,637,091	297,523,402	(13)
	TOTAL ASSETS	\$ 259,637,091	297,523,402	(13)					

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

JIH SUN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
Years Ended December 31, 2008 and 2007
(Expressed in Thousands of New Taiwan Dollars, except for Earnings Per Share)

	2008	2007	Variation (%)
REVENUES(Note 2)(Z) :			
41000 Interest revenue(Note 5)	\$ 8,895,627	10,496,634	(15)
51000 Less:Interest expense(Note 5)	4,929,780	5,037,891	(2)
Net interest income	3,965,847	5,458,743	(27)
Non-interest income:			
49400 Realized gain on held-to-maturity financial assets	-	12,722	(100)
49800 Service fee and commission income, net	3,771,977	6,157,914	(39)
49820 Financial assets measured at fair value through profit or loss(Notes 4)(C)(N) and 4)(Z))	(410,047)	(4,569)	(8,875)
49830 Realized profits(losses) for available-for-sale financial assets	3,746	(84,770)	104
49850 Income from investments under equity method (Note 4 (H))	23,077	-	100
49870 Foreign exchange (losses)gains	(15,861)	42,474	(137)
49880 Impairment loss on assets (Note 2)(C))	(262,629)	(166,101)	(58)
58021 Loss on sale and amortization of deferred loss on disposal of non-performing loans	-	(611)	100
49900 Others, net(Note 4)(Y))	1,020,105	1,605,332	(36)
Subtotal	4,130,368	7,562,391	(45)
Net Revenues	8,096,215	13,021,134	(38)
51500 Bad debt expense	5,113,162	4,944,922	3
Operating Expenses			
58501 Personnel Expenses	3,360,814	4,050,974	(17)
58503 Depreciation and amortization expenses(Note 4)(J))	894,541	934,654	(4)
58599 Other operating and administrative expenses(Note 5))	2,451,657	2,958,641	(17)
Total operating expenses	6,707,012	7,944,269	(16)
Total expenses	11,820,174	12,889,191	(8)
61001 Net (loss) income before tax from continuing operations	(3,723,959)	131,943	(2,922)
61003 Income tax expense (Notes 2)(X) and 4)(W))	(68,006)	(58,880)	15
69000 Consolidated gross (loss)income	\$ (3,791,965)	73,063	(5,290)
Consolidated gross (loss)income belong to :			
69901 Parent company (consolidated net income)	\$ (3,796,384)	69,632	(5,552)
69603 Minority interest income	4,419	3,431	29
69000 Consolidated gross (loss)income	\$ (3,791,965)	73,063	(5,290)
	Before	After	Before
	tax	tax	tax
71000 Basic EPS (Note2)(AB) and 4)(X))	\$ (1.72)	(1.75)	0.06
	-	-	0.03
	-	-	0.05
	-	-	0.03

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

JIH SUN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
Years Ended December 31, 2008 and 2007
(Expressed in Thousands of New Taiwan Dollars)

Item	Capital stock		Capital Surplus			Equity adjustment					Total
	Common stock	Preferred stock	Additional paid-in capital	Treasury stock	Unappropriated earnings (Accumulated deficit)	Unrealized loss on available-for-sale financial assets	Cumulative translation adjustments	Net loss not recognized as pension cost	Treasury stock	Minority interest	
Beginning Balance - January 1, 2007	\$ 33,961,303	6,666,667	1,654,635	15,419	(15,366,125)	109,035	(99,258)	(9,950)	(1,201,580)	19,186	25,749,332
Net income for 2007	-	-	-	-	69,632	-	-	-	-	3,431	73,063
Capital surplus offset of accumulated deficit	-	-	(1,654,635)	-	1,654,635	-	-	-	-	-	-
Capital stock offset of accumulated deficit	(11,461,563)	(2,249,927)	-	-	13,711,490	-	-	-	-	-	-
Recognition of cumulative translation adjustment of subsidiaries	-	-	-	-	-	-	(11,738)	-	-	-	(11,738)
Adjustment of net loss not recognized as pension cost	-	-	-	-	-	-	-	778	-	-	778
Recognition of unrealized losses on available-for-sale financial assets of subsidiaries	-	-	-	-	-	(206,718)	-	-	-	-	(206,718)
Treasury stocks transferred to employee	-	-	-	(375)	-	-	-	-	4,560	-	4,185
Retirement of treasury stock	(791,986)	-	-	(15,044)	(389,990)	-	-	-	1,197,020	-	-
Adjustment for cash dividend by subsidiaries	-	-	-	-	-	-	-	-	-	(2,389)	(2,389)
Ending balance - December 31, 2007	21,707,754	4,416,740	-	-	(320,358)	(97,683)	(110,996)	(9,172)	-	20,228	25,606,513
Net loss for 2008	-	-	-	-	(3,796,384)	-	-	-	-	4,419	(3,791,965)
Recognition of cumulative translation adjustment of subsidiaries	-	-	-	-	-	-	27,334	-	-	-	27,334
Adjustment of net loss not recognized as pension cost	-	-	-	-	-	-	-	9,172	-	-	9,172
Recognition of unrealized losses on available-for-sale financial assets of subsidiaries	-	-	-	-	-	(231,657)	-	-	-	-	(231,657)
Adjustment for cash dividend by subsidiaries	-	-	-	-	-	-	-	-	-	(1,079)	(1,079)
Ending balance - December 31, 2008	\$ 21,707,754	4,416,740	-	-	(4,116,742)	(329,340)	(83,662)	-	-	23,568	21,618,318

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

JIH SUN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
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:		
Consolidated net (loss) income	\$ (3,796,384)	69,632
Minority interest income	4,419	3,431
Adjustments:		
Depreciation and amortization expenses	894,541	934,654
Premises and equipment transferred to expenses	2,005	103,508
Provision(Reversal) for securities trading loss reserve	7,374	(25,513)
Valuation loss on financial assets and liabilities	26,460	208,349
Investment income accounted for under equity method in excess of cash dividends received	(12,156)	-
Realized (gain)loss on available-for-sale financial assets	(3,476)	84,770
Realized gain on hold-to-maturity financial assets	-	(12,722)
Various reserves and provisions	5,113,162	4,944,922
Default indemnity reserve increase	14,327	12,237
(Gain)Loss on disposition of premises and equipment	(209,425)	19,758
Gain on disposal of collateral assumed	(143,054)	(279,590)
Sale and amortization of loss on disposal of non-performing loans	-	611
Impairment loss of assets	262,629	166,101
Changes in operating assets and liabilities:		
Decrease in financial assets measured at fair value through profit or loss	9,958,009	14,156,781
Decrease(Increase) in receivables	19,236,762	(1,709,409)
Decrease(Increase) in other assets	1,542,149	(225,312)
Decrease in financial liabilities measured at fair value through profit or loss	(340,397)	(413,228)
(Decrease)Increase in accounts payable	(3,448,556)	591,246
Net cash provided by operating activities	<u>29,108,389</u>	<u>18,630,226</u>
Cash flows from investing activities:		
Decrease(Increase) in due from Central Bank and call loans to banks	22,933,341	(11,398,391)
Decrease in investment in securities purchased under resell agreements	6,169,208	2,324,704
Decrease in loans	23,217,641	5,998,016
Decrease(Increase) in other financial assets	169,111	(81,769)
Decrease in liabilities for bills and bonds sold under repurchase agreements	(3,649,775)	(16,091,145)
Gain on long-term investment under equity method	(136,500)	-
Purchase of foreclosed properties	(6,273)	(472,025)
Purchase of premises and equipment	(235,751)	(261,957)
Proceeds from disposal of premises and equipment	651,527	1,912
Proceeds from sale of financial assets in available-for-sale	115,939	1,794,046
Proceeds from disposal of foreclosed properties	676,698	920,278
Purchase of software	(175,255)	(183,058)
Proceeds from disposal of held-to-maturity financial assets	-	506,094
Net cash flow provided by (used in) investing activities	<u>49,729,911</u>	<u>(16,943,295)</u>
Cash flow from financing activities:		
Decrease in deposits from Central Bank and other banks	(4,989,209)	(4,650,078)
(Decrease)Increase in deposits	(8,505,422)	33,351
(Decrease)Increase in commercial paper payable	(2,907,421)	3,062,881
Decrease in bonds payable	(5,598,500)	(4,000,000)
Decrease in other borrowings	(4,202,845)	(973,052)
Decrease in other financial liabilities	(3,600)	(900)
Decrease in other liabilities	(774,889)	(292,292)
Treasury stock transferred to employees	-	4,185
Cash dividends from subsidiaries	(1,079)	(2,389)
Net cash used in financing activities	<u>(26,982,965)</u>	<u>(6,818,294)</u>
Effect of foreign exchange	27,334	(11,738)
Net increase(decrease) in cash and cash equivalents	51,882,669	(5,143,101)
Cash and cash equivalents, beginning of the period	8,397,964	13,541,065
Cash and cash equivalents, end of the period	<u>\$ 60,280,633</u>	<u>8,397,964</u>
Supplemental disclosures of cash flow information:		
Interest paid during the year	<u>\$ 4,928,617</u>	<u>5,037,891</u>
Income taxes paid during the year	<u>\$ 138,318</u>	<u>348,603</u>
Cash and cash equivalents:		
Cash	\$ 31,800,371	6,719,612
Deposit in central bank- general accounts and financial information service Co., Ltd.	28,480,262	1,678,352
	<u>\$ 60,280,633</u>	<u>8,397,964</u>
Investing and financing 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	\$ 1,045,859	-
Unrealized (loss)gain on available-for-sale financial assets	<u>\$ (231,657)</u>	<u>206,718</u>

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

JIH SUN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2008 and 2007

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

(1) OVERVIEW

(A) Overview

Jih Sun Financial Holding Co., Ltd. (the “Company”) was established to comply with the trend in global financial development, respond to government financial reforms, achieve greater economies of scale, extend management efficiency, and strengthen financial cross-industry market competitiveness. In order to cross-sell across industries, share client sources, raise management efficiency and enjoy tax benefits, Jih Sun International Bank Ltd. and Jih Sun Securities Co., Ltd. held special shareholders’ meetings on December 14, 2001, and resolved to establish Jih Sun Financial Holding Co., Ltd. through a stock conversion. The recorded date was February 5, 2002, and the Company was established on the same date.

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

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

As of December 31, 2008, the number of the Company’s employees was 13, and the number of Company and its subsidiaries’ employees was 3,708.

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

(B) Basis for consolidation

(a) The company: Jih Sun Financial Holding Co., Ltd. The companies including in the consolidated financial statements are as follow:

Investment Company	Subsidiary	December 31, 2008	December 31, 2007	Conducts business
Jih Sun Financial Holding Co., Ltd.	Jih Sun Securities Co., Ltd.	100%	100%	Engages in the activities of securities trust, securities dealing, securities underwriting, securities financing, stock transaction handling, futures dealing, and auxiliary services for futures trading and stock warrant issuance.
Jih Sun Financial Holding Co., Ltd.	Jih Sun International Bank Ltd.	100%	100%	Jih Sun International Bank Ltd.'s major operations include managing customer deposits, extending loans, acting as collection agent and investing in government bonds, stock, short-term bills, financial debentures and other businesses approved by the competent authority of the Central Government. As for the scope of the Bank's trust business, it includes domestic and overseas fund purchases and sales entrusted by customers and employee investments and trust, etc.
Jih Sun Financial Holding Co., Ltd.	Jih Sun Product Insurance Agent Co., Ltd.	100%	100%	Product insurance agent.
Jih Sun International Bank, Ltd.	Jih Sun Life Insurance Agent Co., Ltd.	99%	99%	Life insurance agent
Jih Sun Securities Co., Ltd.	Jih Sun Futures Co., Ltd.	98.138%	98.138%	Futures dealing and futures consulting
Jih Sun Securities Co., Ltd.	Jih Sun International Investment Holding Company Limited	100%	100%	Securities brokerage and propriety trading, underwriting, securities research and analysis, corporate and individual financial planning, financing business, investment trust, futures and holding company to recognize profit and loss on investment.

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

Investment Company	Subsidiary	December 31, 2008	December 31, 2007	Conducts business
Jih Sun Securities Co., Ltd	Jih Sun Securities Investment Consulting Co., Ltd.	100%	100%	Research of securities investment and related events.
Jih Sun Securities Co., Ltd	Jih Sun Managed Futures Co., Ltd.	100%	100%	Managed Futures
Jih Sun International Investment Holding Company Limited	Jih Sun Cresvale Securities International Limited	100%	100%	Securities trust Securities dealing Securities underwriting
Jih Sun International Investment Holding Company Limited	Jih Sun Financial Services (Cayman) Ltd.	100%	100%	Securities financing and related businesses
JihSun International Investment Holding Company Limited	Jih Sun Technology Management Consulting Limited	100%	100%	Funds and assets management, recognized consulting revenue.
Jih Sun Cresvale Securities International Limited	Jih Sun Cresvale Financial Limited	100%	100%	Stock trust Futures trust Funds selling

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

When preparing consolidated financial statements, the Company's investments and its subsidiaries stockholders' equity were eliminated. In addition, all significant inter-company transactions have been eliminated.

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

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

- (g) Other significant issues or other information regarding affiliate companies:

When preparing consolidated financial statements, the Company's investments and its subsidiaries stockholders' equity were eliminated. Intercompany receivables and payables were eliminated. Unrealized gains between the Company and its subsidiaries resulting from intercompany transactions are eliminated. Assets and liabilities of foreign subsidiaries are translated into New Taiwan dollar equivalents at the spot rates of the balance sheet date; stockholders' equity is translated by the historical rates except for the beginning balance of retained earnings. Revenues and expenses are translated at the weighted-average rate during the period, with exchange differences included in stockholders' equity as "cumulative translation adjustments."

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Company and its subsidiaries' consolidated financial statements were prepared in accordance with the Regulations Governing the Preparation of Financial Statements for Financial Holding Companies and generally accepted accounting principles of the Republic of China. A summary of significant accounting policies is as follows:

- (A) Basis for compilation for Statements of Cash Flows:

The statements of cash flows are compiled based upon cash and cash equivalents, reserve deposits with the Central Bank (general account), and deposits on Financial Information Service Co., Ltd.

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

(B) Accounting Estimation

The preparation of financial statements in conformity with the aforementioned guidelines, law and principles requires management to make reasonable assumptions for allowance for credit losses, depreciation on premises and equipment, pension costs, assets impairment, reserve for default losses and reserve for trading losses. The actual results could differ from these estimated which estimation is based on uncertainty situation.

(C) Asset Impairment

Commencing from the year 2005, the Company and its subsidiaries adopted Republic of China Statements of Financial Accounting Standards (SFAS) No. 35 "Impairment of Assets." In accordance with SFAS No. 35, unless inapplicable, the recoverable amount (individual assets or cash generating units other than goodwill) of an asset is estimated and compared with the carrying amount whenever there is an indication that the asset may be impaired. An impairment loss is recognized when the recoverable amount is less than the carrying amount (the higher of fair market value and value in use). For assets other than goodwill, reversal of impairment loss is recognized when the recoverable amount of the asset has increased from its prior period estimation, the 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 period.

The cash generating units for goodwill need to be tested annually and an impairment loss is recognized when the recoverable amount is less than the carrying amount.

(D) Foreign Currency Transactions

The non-derivative foreign currency transactions are recorded at the rate of exchange prevailing on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are 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 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.

The foreign operating institutions of the Company's subsidiary Jin Sun Securities Co., Ltd with equity-method are all recorded by functional currency. The components of their stockholders' equity were translated at the historical rate with difference reflected as cumulative translation adjustments to stockholders' equity and incorporated into the profit and loss calculation when the foreign operating institutions are liquidated.

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

(E) Cash and Cash Equivalents

Cash and cash equivalents comprise of cash on hand, checks for clearing, petty cash, depositing on the other bank deposit, and short-term investments that are readily convertible to know amounts of cash and will mature on short notice so that the interest rate fluctuations have little effect on their values.

(F) Due from Central Bank and call loans to banks

Due from Central Bank and call loans to banks comprise of deposit in Central Bank, reserve funds, deposited in a designated account with the Central Bank, due from financial institutions and call loans to banks.

(G) Financial Instruments

Financial instruments held by the Company and its subsidiaries are recorded on trading date. The financial instruments are initially recognized at fair value plus transaction costs, except for financial instruments held for trading purpose, which are initially recognized at fair value.

Subsequent to their initial recognition, the financial instruments held or issued by the Company and its subsidiaries are classified according to the purpose of holding or issuing as follows:

(a) Financial assets carried at fair value through profit or loss:

Financial assets are classified as held for trading if they have been acquired principally for the purpose of selling or repurchasing in the near term. The derivative financial instruments held by the Company and its subsidiaries, except for those designated as hedging instruments, are classified under this account. The financial assets such as the hybrid instrument which the main contract and embedded derivative should be separately identify but failed to separately reevaluate at acquiring date or at each balance sheet date, should be designated under this account to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases.

Financial assets carried at fair value through profit or loss shall be measured at their fair value. The fair value of listed and OTC stock are the market closing price at the balance sheet date. The fair value of open-end funds is the net worth at the balance sheet date. The fair value of debt investments are the OTC market closing price at the balance sheet date or the price calculated by the pricing model of the Company and its subsidiaries. The fair values of the derivative financial instruments are closing market price at the balance sheet date or the price calculated by the pricing model of the Company and its subsidiaries.

The Company and its subsidiaries reclassified the financial assets at fair value through profit or loss (non-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 FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

Proceeds received from issuing stock warrants are recorded as liabilities for stock warrant issued. Payment for repurchase these stock warrants are recorded as deduction items of the liabilities for stock warrant issued, repurchased stock warrants when resell the repurchased stock warrant use moving-average cost method to recognized the disposal gain or loss and shown in “gain or loss from issuing stock warrants” account. Liabilities for issuance of stock warrants and repurchased stock warrant are valued at market value on the balance sheet date. The Company and its subsidiaries use fair-value method to recognize, the income (or loss) before the stock warrant matured. Pursuant to SFC Ruling Letter No.0920102843, if a warrant holder fails to apply for exercise in time when a warrant has exercise value at expiration, the issuer may adopt the method of “automatic cash settlement where in-the-money at expiration.” If a warrant does not have exercise value at expiration, the warrant loses its efficacy, which could be recognized as gains on disposal of trading securities. When a warrant holder applies for exercise by cash, the Company can recognize gain or loss on warrants exercise from the warrant’s exercise price plus its market price minus the market price of the underlying securities. If the underlying securities were regarded as trading in the market, the Company can recognize exercise price as sale income by using moving average method.

When securities firms engaged in securities borrowing, the amount of borrowed securities’ selling price should be recognized as liabilities and distinguished between hedging purpose and trading purpose. The company engaged in the business of an equity options market maker may, for its risk mitigation or hedging needs, open a margin account with which to sell securities short. Pursuant to Ruling Letter SFC(7) No.0920154924, the Company recognized sales of borrowed securities as stock borrowing payable—hedging, which were evaluated by using the higher of cost or market method and accounted for under allowance for increase in the price of borrowed securities. The market price is calculated on the closing price of those securities on the date of the accounting period ended. The cost of covering of borrowed securities is calculated by the moving average method, and gain or loss arising from covering of borrowed securities are accounted for under gain or loss on covering of borrowed securities and its detail is recorded by stock and bond. The payments of covering borrowed securities or bonds are recorded as a deduction from gain or loss on covering borrowed securities or bonds. Financial liabilities shall measure at fair value through profit or loss and its resulting gain or loss from measurement is recognized in current profit or loss.

- (b) Available-for-sale financial assets: At each balance sheet date the fair value is remeasured and the resulting gain or loss from such remeasure is recognized directly in equity. If there is objective evidence that an available-for-sale financial asset is impaired, the carrying amount of the asset is reduced and impairment loss is recognized. If in a subsequent period, the amount of the impairment loss of the available-for-sale equity securities decreases, the previous recognized impairment loss cannot be reversed. If the amount of the impairment loss of the available-for-sale debt securities decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previous recognized impairment loss is reversed through the profit and loss.

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

- (c) Held-to-maturity financial assets: The amortized cost, if there is objective evidence that a held-to-maturity financial asset is impaired, the carrying amount of the asset is reduced and impairment loss is recognized. If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previous recognized impairment loss is reversed through the profit and loss. The carrying value after the reversal should not exceed the recoverable amount or the depreciated or amortized balance of the assets assuming no impairment loss was recognized.

Under the Regulations for Financial Assets Securitization, the Company, with the assistance of a trustee, securitized its car loans for the purpose of offering asset-backed securities in the form of related beneficiary certificates through a special-purpose trust. Because the Company surrendered its rights and control on these securitized financial assets, such financial assets are no longer recognized on the Company's accounts, and the gain or loss from securitization is recognized thereon, except for the retained interests in the form of subordinated seller certificates necessary for credit enhancement, which are classified as held-to-maturity financial assets.

The gain or loss from securitization of the financial assets is determined based on the difference between the proceeds from securitization and the carrying value of the securitized financial assets. The cost of each class of asset-backed securities, which is determined based on the previous carrying value of the securitized financial assets, is allocated in proportion by the fair value of each class of the asset-backed securities and the retained interests on the date of transfer. Because the securitized financial assets do not have a quoted market price, the fair value of each class of the asset-backed securities and the retained interests are evaluated based on the present value of future cash flows considering the expected credit loss rate, prepayment rate and discount rate on the financial assets.

The cash receipts of subordinated seller certificates from the trustee are accounted for under held-to-maturity investment, interest revenue is recognized by accrual basis.

- (d) Financial assets carried at cost: Equity instruments with no quoted market price and whose fair value cannot be reliably measured are stated at cost. If there is objective evidence that financial assets carried at cost is impaired, the carrying amount of the assets is reduced and impairment loss is recognized. However, the impairment losses may not be reversed subsequently.

(H) Financial Derivative Instruments

Financial derivative instruments including foreign exchange forward contracts, foreign currency swap, interest rate swap, cross currency swap, option, structured notes, stock warrant liabilities and futures margin deposits, etc. If the financial derivative instruments are not held for hedging, they are held for trading purpose. Held for trading purpose includes expending market, fulfilling the needs of customers and other profit making events.

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

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

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

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

(I) Investment in Securities Purchased Under Resell Agreements and Liabilities for Bills and Bonds Sold Under Repurchase Agreements

Bills or bonds purchased with a commitment to resell them at predetermined price are treated as financing transactions because the company has retained substantially all such risks and rewards during the transaction period. The difference between the purchase price and resell price is treated as interest revenue and recognized over the term of the agreement. On purchasing date, these agreements are recognized as the bills and bonds purchased under resell agreement.

Bills or bonds sold with a commitment to repurchase them at predetermined price are treated as financing transactions. The difference between the selling price and repurchase price is treated as interest expense and recognized over the term of the agreement. On selling date, these agreements are recognized as the bills and bonds sold under repurchase agreement.

(J) Receivable of Credit Card Transactions

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

(K) Margin Loans, Financing Securities, and Refinancing

For margin loans undertaken by the Company's subsidiary Jih Sun Securities Co., Ltd., 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. These securities are returned to the investors when the financing loans are repaid.

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

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.

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.

(L) Allowance for Doubtful Accounts

The Company's subsidiary Jih Sun Securities Co., Ltd and the futures enterprises' allowance for doubtful accounts are provided by assessing the collectability of the notes and accounts receivable at period-end.

Allowance for credit losses is a significant estimate regularly evaluated by management for adequacy and is provided through a charge to provision for credit losses. In accordance with the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-Performing and Non-Accrued Loans" issued by MOF, the management evaluates the quality of the overall portfolio, which comprises loans, accounts receivable, non-accrual loans, outstanding guarantees. The Company classifies its credit assets on and off balance sheet. Normal credit assets shall be classified as "Category One." The remaining unsound credit assets shall be evaluated based on the status of the loan collaterals and the length of time overdue. Assets that require special mention shall be classified as "Category Two," assets that are substandard shall be classified as "Category Three," assets that are doubtful shall be classified as "Category Four," and assets for which there is loss shall be classified as "Category Five."

The Company evaluates credit assets on and off balance sheet in accordance with aforementioned regulation, and shall allocate sufficient loan loss provision and reserves against liability or guarantees, and also recorded under "credit losses on loans". The minimum standard for loan loss provision shall be the sum of 2% of the balance of Category Two credit assets, 10% of the balance of Category Three credit assets, 50% of the balance of Category Four credit assets, and the full balance of Category Five credit assets. Allowance for guarantee reserve is provided for estimated credit losses on period-ended balances of guarantee items and receivables for commercial acceptances and also recorded under "credit losses on loans".

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

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

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

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

(M) Investments under equity method

Investees in which the Company and its subsidiaries, 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 investees are accounted for under 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 of investment at the disposal date. The remaining capital surplus arising from a long-term equity investment is adjusted to profit and loss proportionate to sales proceeds.

(N) Premises, Equipment and Depreciation

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

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

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

Buildings	3 to 55 years
Leasehold improvement	3 to 15 years
Others	3 to 10 years

(O) Goodwill and Intangible Assets

Effective from January 1, 2007, the Company adopted SFAS No. 37 "Intangible Assets". In accordance with SFAS No. 37, intangible assets 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 amortization amount of original cost 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 intangible assets are as follows:

1. Computer Software 3-5 years
2. Operation Franchises 10 years

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

(P) Convertible Bonds Payable

The convertible bonds issued prior to December 31, 2005 are accounted for as follows:

- (a) Due to the inseparability of the conversion option and debt elements, convertible bonds are stated at the total issue price on issuance date.
- (b) The direct and necessary costs of issuing convertible bonds are recognized as deferred expenses and amortized using the straight-line method over the term of the bonds or over the period from issuance date to expiry date of the put option, whichever is shorter. If repayment occurs prior to maturity, the remaining unamortized deferred expenses are recognized as current expenses in proportion of earlier redemption.
- (c) The redemption premium of puttable convertible bonds, which represents the difference between the specified put price and par value, is amortized using the interest method and is recognized as the liability and interest expense over the period from the issuance date of the bonds to the expiry date of the put option.

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

- (d) When bondholders exercise their conversion rights, the unamortized issue costs, redemption premium, and par value of the convertible bonds are converted into the common stock entitlement certificates or the capital stock at par value, while the excess amount is recorded as capital surplus.

(Q) Foreclosed properties

Foreclosed properties received are stated at estimated net fair market value, and the difference between it and the nominal value of the original claim is reflected as a credit loss. On the balance sheet date, if the foreclosed properties received are still unsold, the net fair market value shall be reassessed, and the difference after reassessment is recognized as loss for the period and accounted for under impairment loss on assets if there is sufficient evidence indicating that the net fair market value is lower than the book value of foreclosed properties. Gain or loss on disposal of foreclosed properties is accounted for under other non-interest income as well.

(R) Customer Margin Accounts

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

(S) Futures Trader's Equity

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

(T) Deposits and Remittances

Refer to contracted nominal principal evaluated and recorded at deposits and remittances or the amount expected to pay on the maturity date.

(U) 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, and records it as other liabilities. Such reserve may only be used to cover default losses from securities brokerage or otherwise upon MOF approval.

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

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

(V) 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. Such reserve may only be used to offset the excess of trading loss over gain.

In compliance with the Regulations Governing Futures Commission Merchants, a futures commission merchant engaging in proprietary futures trading shall each month set aside 10% of that month's realized net profit as reserve for trading loss. When the accumulated reserve for trading loss reaches the legally required level of minimum working capital, no additional reserve for trading loss is required to be set aside.

(W) Treasury Stock

The Company adopted SFAS No. 30, "Accounting for Treasury Stocks" to account for repurchase of its outstanding shares, carried at cost. Upon disposition, the excess of sales price over book value is recorded as "capital surplus—treasury stock." Should sales price be lower than the book value, the difference is charged against capital surplus from treasury stock in the same category, and any deficit is debited to retained earnings. The book value of treasury stock is separately computed by reasons of purchase and the weighted-average method is used.

Upon retirement, "capital surplus—additional paid-in capital and capital stock" shall be debited on a pro rata basis. If the book value exceeds premium on stock issuance and capital stock, the difference will offset "capital surplus—treasury stock" in the same category, and any deficit will charge against retained earnings. If the book value is lower than total of capital stock and additional paid-in capital, the difference will be credited to "capital surplus— treasury stock" in the same category.

Parent shares held by subsidiaries are treated as treasury stock according to SFAS No. 30 "Accounting for Treasury Stock" effective 2002. Therefore, when recognizing investment income or loss and compiling financial statements, the Company accounted for shares held by subsidiaries as treasury stock.

(X) Income Tax

The Company adopts SFAS No. 22 "Income Taxes" for the purposes of making inter- and intra-period income tax allocation, as well as for calculating the current income tax expense (benefit). Accordingly, the income tax effects from taxable temporary differences are recognized as deferred tax liability, while those deductible temporary differences, prior years' loss carry forward benefits, and investment tax credits are accounted for as deferred tax assets and then estimate the realizability for the deferred tax assets and recognize the amount of valuation allowances.

Since imputation system has been executed in 1998, the Company and its domestic subsidiaries adopted the consolidated tax filing return principle. The 10% surtax on undistributed retained earnings is recorded as current expense on the date of the stockholders' meeting to declare earnings distribution.

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

In additional, the Company and the subsidiary Jih Sun Securities Ltd. and Jih Sun International Bank Ltd. adopted the consolidated tax filing return to file the annual income tax return. According to 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 related amount of appropriation (payment) should be recorded as “receivable (payable) When estimating income tax.

Other subsidiaries, except for the Company’s Subsidiaries Jih Sun International Bank, Ltd and Jih Sun Securities Co., Ltd are filing income tax report separately.

(Y) Pension Plan

The Labor Pension Act of R.O.C. (“the Act”), effective from July 1, 2005; adopts a defined contribution pension plan. In accordance with the Act, employees of the Company (who were hired before July 1, 2005) may elect to be subject to either the Act and maintain their seniority before the enforcement of the Act, or the pension mechanism of the Labor Standards Law. Employees who are hired by the Company and subsidiaries 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 and domestic subsidiaries are required to make monthly cash contributions to the employees’ individual pension accounts at the rate of not less than 6% of the employees’ monthly wages and deposit the contribution in a personal retirement benefit account at Council of Labor Affairs. The contribution is recognized as pension expense for the current period.

For the Company and domestic subsidiaries, the difference between actual pension fund contributions and the net pension fund cost is accounted for as “accrued pension liabilities”, and recognize the net pension cost in accordance to the pension plane, which 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 years of the employees.

Minimum pension often results form unrecognized service cost of prior period and unrecognized transitional net assets or net benefit obligations. If the minimum amount of pension liabilities were lower than the sum amount of unrecognized service cost of prior period and unrecognized transitional net assets or net benefit obligations, it should be recognized as deferred pension cost under other assets. If exceed, the exceed part should be recognizes as “unrecognized net loss of pension cost”, and recorded as deduction item of stockholders’ equity.

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

(Z) Revenue Recognition Principle

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

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

(AA) Commitments and Contingencies

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

(AB) Earnings Per Share

Earnings per share are calculated based on the weighted-average number of common shares outstanding during each period, except for the capitalization of retained earnings or capital surplus or decrease, for which the computation of shares outstanding is retroactively adjusted. If the base date for capital reduction or capitalization of earnings or capital surplus is before the reporting date, the computation of common shares outstanding is also retroactively adjusted.

The convertible corporate bonds issued by the Company and its subsidiaries were potential common stock. The diluted EPS will be revealed if the potential common stock were with diluted effect. On the contrary, only the basic EPS will be revealed. The calculation of diluted EPS assumed that all potential common stock with diluted effect are outstanding during the period. Therefore, net income and the number of outstanding common stock during the period should all adjust to the influence resulted from potential common stock with diluted effect.

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

Employee bonuses and directors' and supervisors' emoluments appropriated after January 1, 2008 are accounted for by Interpretation (96)052 issued by the Accounting Research and Development Foundation. The company estimates the amount of employee bonuses and directors' and supervisors' emoluments according to the Interpretation and recognizes it as expenses. 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.

(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 franchises original classified as deferred debit items should be reclassified to intangible asset. As the result of adoption of SFAS No. 37, there is no effect for net income and earning per share for year 2007.

As of January 1, 2008, SFAS No.39 "Share- Based Payment" and No.52 of Accounting Research and Development Foundation (96) was first adopted. The adoption had no significant effects on profit and earning per share for the year 2008.

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

According to the second revised article of SFAS No. 34 “Financial Instruments: Recognition and Measurement” the Company’s subsidiary Jih Sun Securities Co., Ltd reclassified its financial assets since July 1, 2008. As the result of the abovementioned change, the net income of the Company’s subsidiary Jih Sun Securities Co., Ltd had increased by \$83,594 thousand dollars and the earnings per share increased by \$0.07 dollars. Therefore, net loss of the Company and its subsidiaries had decreased by \$83,594 thousand dollars and the earnings per share had increased by \$0.04 dollars.

(4) DETAILS OF SIGNIFICANT ACCOUNTS

(A) Cash and cash equivalents

	<u>December 31, 2008</u>	<u>December 31, 2007</u>
Cash on hand and Petty cash	\$ 1,291,142	1,482,122
Bank deposits	29,803,063	4,247,862
Short-term notes and bills	149,700	344,190
Checks for clearing	556,466	645,438
Total	<u>\$ 31,800,371</u>	<u>6,719,612</u>

Checks for clearing is that the checks were deposited in the Bank today and cleared on next business date.

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

	<u>December 31, 2008</u>	<u>December 31, 2007</u>
General account	\$ 28,164,603	1,377,814
Deposit reserve	4,752,668	5,728,599
Financial Information Service Co., Ltd	315,659	300,538
Call loans to banks	3,304,026	25,261,436
Total	<u>\$ 36,536,956</u>	<u>32,668,387</u>

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

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

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

	December 31, 2008	December 31, 2007
Government bonds	\$ 3,148,090	6,438,579
Corporate bonds	1,600,837	1,701,161
Domestic Convertible Corporate bonds	80,254	304,906
Overseas bonds and Convertible Corporate bonds	181,757	16,972
Listed and O.T.C. stock	14,742	6,000
Overseas stock	-	23,970
Open-end mutual funds and money market instruments	1,267,870	1,868,292
Operating securities - dealer	11,203,276	16,036,620
Operating securities - underwriter	25,839	874,008
Operating securities - hedging	-	805,373
Futures margin	662,664	1,105,182
Derivatives financial instruments-other	18,906	27,040
Subtotal	<u>18,204,235</u>	<u>29,208,103</u>
Valuation adjustment of financial assets	362,150	(122,593)
Total	<u>\$ 18,566,385</u>	<u>29,085,510</u>

(a) Government bonds under repurchase agreements were sold for \$100,000 and \$73,101 as of by December 31, 2008 and 2007, respectively.

(b) Net losses on the financial assets held for trading of the Company and its subsidiaries amounted to \$485,110 and \$61,651 for the years 2008 and 2007, respectively.

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

(D) Investment in securities purchased under resell agreements

	December 31, 2008	December 31, 2007
Central Government Construction Bonds	\$ 999,103	6,970,715
Corporate bonds	148,472	346,067
Financial debentures	880,246	880,247
Total	<u>\$ 2,027,821</u>	<u>8,197,029</u>

These bonds were made available for reselling at an agreed amount of \$2,045,161 and \$7,878,331 after December 31, 2008 and 2007, respectively.

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

(E) Receivables-net

	December 31, 2008	December 31, 2007
Accrued interest receivable	\$ 556,484	806,928
Accounts receivable	999,378	3,244,287
Accounts receivable for credit cards	2,391,744	3,064,108
Other receivables	176,545	162,266
Notes receivable	772	624
Tax refund receivable	292,651	209,452
Factoring receivables - without recourse	911,206	1,846,492
Receivables from securities financing	6,902,920	22,341,004
Securities refinance margin deposits	352	1,393
Receivables from securities refinance	350	1,112
Receivable from sale of foreign securities	-	65,474
Receivables for sale of trading government bonds	107,083	163,586
Subtotal	12,339,485	31,906,726
Allowance for bad debts	(95,001)	(55,605)
Total	\$ 12,244,484	31,851,121

(F) Discount and Loans-net

	December 31, 2008	December 31, 2007
Loans	\$ 136,135,742	161,379,932
Export remittances and discount	11,567	591,479
Overdrafts	3,534	4,462
Non-accrual loans	4,521,637	6,462,625
Subtotal	140,672,480	168,438,498
Allowance for bad debts	(2,027,593)	(1,996,440)
Net	\$ 138,644,887	166,442,058

- (a) As of December 31, 2008 and 2007, the Company's subsidiary Jih Sun International Bank Ltd.'s capital adequacy ratios were 8.58% and 8.75%, respectively, and there was no loans written-off without prior recourse.
- (b) According to letters of the Bankers Association of the Republic of China at May 10, 2006, SFC Ruling Letter (1) No. 09510001270 issued at April 25, and SFC Ruling Letter (1) No. 09510001770 issued at April 27, 2006, the Company's subsidiary Jih Sun International Bank Ltd. participates in the debt negotiation. As of December 31, 2008 and 2007, according to the debts rearrangement that the total amounts of the overdue loans and account receivable are readjusted to \$618,429 and \$1,009,836, respectively.

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

- (c) As of December 31, 2008 and 2007, the balance of bad debt allowance on loans and advances amounted to \$2,126,862 and \$2,081,211, respectively, and the movements were as follows:

Item	Beginning Balance	Provision	Reverse	Provision for debt negotiation	Written off	Reclassification	Adjustment for exchange rate fluctuation	Ending Balance
December 31, 2008								
Allowance for bad debts - account receivables	\$ 51,363	368,793	-	19,565	(417,413)	67,362	-	89,670
Allowance for bad debts - other receivables	4,242	1,082	-	-	-	-	7	5,331
Allowance for bad debts - bills and discounts	18,090	-	-	-	-	(15,000)	1	3,091
Allowance for bad debts - short-term loans and overdrafts	184,112	11,602	(561)	(1,181)	(11,602)	-	23	182,393
Allowance for bad debts - short-term secured loans and overdrafts	1,360	-	-	-	-	-	-	1,360
Allowance for bad debts - medium-term loans	263,158	-	-	-	-	-	5	263,163
Allowance for bad debts - medium-term secured loans	7,022	-	-	-	-	-	-	7,022
Allowance for bad debts - long-term loans	16,743	-	-	-	-	-	-	16,743
Allowance for bad debts - long-term secured loans	84,634	-	-	-	-	-	-	84,634
Allowance for bad debts - non-accrual loans	1,446,224	4,731,685	-	-	(4,656,360)	(52,362)	-	1,469,187
Allowance for guarantee reserve	4,263	-	-	-	-	-	5	4,268
Total	<u>\$ 2,081,211</u>	<u>5,113,162</u>	<u>(561)</u>	<u>18,384</u>	<u>(5,085,375)</u>	<u>-</u>	<u>41</u>	<u>2,126,862</u>

Item	Beginning Balance	Provision	Reverse	Provision for debt negotiation	Written off	Reclassification	Adjustment for exchange rate fluctuation	Ending Balance
December 31, 2007								
Allowance for bad debts - account receivables	\$ 109,865	578,872	-	60,802	(612,176)	(86,000)	-	51,363
Allowance for bad debts - other receivables	5,250	1,224	-	-	-	(2,230)	(2)	4,242
Allowance for bad debts - bills and discounts	18,090	-	-	-	-	-	-	18,090
Allowance for bad debts - short-term loans and overdrafts	176,020	16,025	(149)	8,249	(16,025)	-	(8)	184,112
Allowance for bad debts - short-term secured loans and overdrafts	1,360	-	-	-	-	-	-	1,360
Allowance for bad debts - medium-term loans	269,419	-	-	33,795	(40,916)	-	860	263,158
Allowance for bad debts - medium-term secured loans	7,022	-	-	-	-	-	-	7,022
Allowance for bad debts - long-term loans	16,743	-	-	-	-	-	-	16,743
Allowance for bad debts - long-term secured loans	84,634	-	-	-	-	-	-	84,634
Allowance for bad debts - non-accrual loans	2,801,829	4,348,801	526	-	(5,793,162)	88,230	-	1,446,224
Allowance for guarantee reserve	4,264	-	-	-	-	-	(1)	4,263
Total	<u>\$ 3,494,496</u>	<u>4,944,922</u>	<u>377</u>	<u>102,846</u>	<u>(6,462,279)</u>	<u>-</u>	<u>849</u>	<u>2,081,211</u>

- (d) The Company's subsidiary Jih Sun International Bank Ltd.'s non-accrual loans consisted of various loans and other credit amounts which have been reclassified to "non-accrual loans" account. Loans which are overdue for six months from the repayment due date are reclassified to "delinquent loans" account. The accrual of interest thereon is discontinued for internal purposes, but continues for external purposes. In addition, the interest accrual is noted in each sub-account through a memo entry. The accrued interest on overdue loans prior to reclassification into the "delinquent loans" account is combined with the principal amount and transferred to the "delinquent loans" account. As of December 31, 2008 and 2007, the principal of such loans and advances with discontinued interest accrual amounted to \$4,269,650 and \$6,119,370, respectively.

- (e) As of December 31, 2008 and 2007, the non-accrual of interest for loans and advances with overdue interest and principal, amounted to \$219,154 and \$427,715, respectively.

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

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

	<u>December 31, 2008</u>	<u>December 31, 2007</u>
Available-for-sale financial assets – Current	\$ 941,960	-
Available-for-sale financial assets – Noncurrent	1,489,178	1,804,279
Total	<u>\$ 2,431,138</u>	<u>1,804,279</u>

(a) Available-for-sale financial assets – Current

	<u>December 31, 2008</u>	<u>December 31, 2007</u>
Available-for-sale financial assets – Current –Dealer	\$ 315,439	-
Available-for-sale financial assets – Current –underwriter	710,115	-
Subtotal	1,025,554	-
Valuation adjustment of available-for-sale financial assets	(83,594)	-
Total	<u>\$ 941,960</u>	<u>-</u>

(b) Available-for-sale financial assets –Non-current

<u>December 31, 2008</u>	<u>Ownership %</u>	<u>Amount</u>
Taiwan Stock Exchange Corporation	3.00	\$ 586,067
Taiwan Securities Central Depository Co., Ltd.	1.74	43,789
Taiwan Futures Exchange Co., Ltd.	4.40	83,858
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.	-	-
Cotillion III Venture Capital Corp.	9.96	50,000
PK III Venture Corp.	9.29	65,000
Jih Sun Venture Capital Corp. (Note)	-	-
Taiwan Integrated Shareholder Service Company	5.80	16,846
Hui Yang Venture Capital Group	7.69	150,000
Caprion Corp.	-	282
JSA Venture Capital Corp	19.17	30,299
Listed and O.T.C. stock		381,791
Subtotal		1,712,750
Valuation adjustment of financial assets		(223,572)
Total		<u>\$ 1,489,178</u>

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

<u>December 31, 2007</u>	<u>Ownership %</u>	<u>Amount</u>
Taiwan Stock Exchange Corporation	3.00	\$ 586,067
Taiwan Securities Central Depository Co., Ltd.	1.74	43,789
Taiwan Futures Exchange Co., Ltd.	2.45	50,231
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 Corp.	5.00	22,500
Taiwan Integrated Shareholder Service Company	5.27	15,395
Hui Yang Venture Capital Group	7.69	150,000
Caprion Corp.	-	280
JSA Venture Capital Corp	19.17	43,316
Listed and O.T.C. stock		486,504
Subtotal		1,892,780
Valuation adjustment of financial assets		(88,501)
Total		<u>\$ 1,804,279</u>

Note : Jih Sun Venture Capital Corp. has been liquidated in 2008.

- (1) Jih Sun Securities Co., Ltd. increased its investment in Jih Sun Investment Trust Co., Ltd. amounting to \$136,500 in March, 2008. The ownership increased from 10% to 20%. As a result, it became the Company's long-term investment under equity method. Please refer to Note (4)(H).
- (2) Jih Sun Securities Co., Ltd. purchased the investment of Taiwan Futures Exchange Co., Ltd from Jih Sun International Bank Ltd. in April, 2008, with a payment of \$178,014, the related unrealized gain of \$140,633 was eliminated.
- (3) As of December 31, 2008 and 2007 the above assets were pledged to secure credit lines of bank loans amounting to \$752,669 and \$735,572, respectively.
- (4) For the available-for-sale financial assets mentioned above, in compliance with the second amendment of SFAS No. 34 "Financial Instruments: Recognition and Measurement", Jih Sun Securities Co., Ltd. reclassified its financial assets measured at fair value through profit or loss amounting to \$1,074,174 into available-for-sale financial assets since July 1, 2008. Please refer to Note (4) (Z) for details.

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

(H) Investments under equity method-net

<u>Name of investee company</u>	<u>December 31, 2008</u>		<u>December 31, 2007</u>	
	<u>Percentage</u>	<u>Book value</u>	<u>Percentage</u>	<u>Book value</u>
	<u>of</u>		<u>of</u>	
Jih Sun Securities Investment Trust Co., Ltd.	20.00	\$223,536	-	-

Investment income recognized under equity method for the year ended December 31, 2008 and 2007 were as follows:

	<u>2008</u>	<u>2007</u>
Jih Sun Securities Investment Trust Co., Ltd.	\$ 23,077	-

(I) Premises and equipment-net

<u>December 31, 2008</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net</u>
Land	\$ 3,684,926	-	3,684,926
Buildings	2,922,008	843,077	2,078,931
Miscellaneous equipment	2,221,601	1,777,367	444,234
Construction in progress	9,150	-	9,150
Prepayment for equipment	90,406	-	90,406
Leasehold improvements	871,011	621,073	249,938
Total	\$ 9,799,102	3,241,517	6,557,585

<u>December 31, 2007</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net</u>
Land	\$ 3,838,987	-	3,838,987
Buildings	3,206,956	822,039	2,384,917
Miscellaneous equipment	2,182,926	1,621,742	561,184
Construction in progress	15,275	-	15,275
Prepayment for equipment	123,709	-	123,709
Leasehold improvements	805,158	555,208	249,950
Total	\$ 10,173,011	2,998,989	7,174,022

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

(J) Goodwill and intangible assets-net

<u>Original cost and revalued appreciation</u>	<u>Goodwill</u>	<u>Operation franchises</u>	<u>Computer software</u>	<u>Total</u>
January 1, 2008	\$ 56,423	1,752,778	617,496	2,426,697
Purchase	-	-	191,007	191,007
December 31, 2008	<u>\$ 56,423</u>	<u>1,752,778</u>	<u>808,503</u>	<u>2,617,704</u>
January 1, 2007	\$ 56,423	1,752,778	434,438	2,243,639
Purchase	-	-	183,058	183,058
December 31, 2007	<u>\$ 56,423</u>	<u>1,752,778</u>	<u>617,496</u>	<u>2,426,697</u>
<u>Amortization and Impairment loss</u>	<u>Goodwill</u>	<u>Operation franchises</u>	<u>Computer software</u>	<u>Total</u>
January 1, 2008	\$ (23,509)	(863,422)	(262,590)	(1,149,521)
Amortization, 2008	-	(340,612)	(132,091)	(472,703)
December 31, 2008	<u>\$ (23,509)</u>	<u>(1,204,034)</u>	<u>(394,681)</u>	<u>(1,622,224)</u>
January 1, 2007	\$ (23,509)	(503,679)	(163,443)	(690,631)
Amortization, 2007	-	(359,743)	(99,147)	(458,890)
December 31, 2007	<u>\$ (23,509)</u>	<u>(863,422)</u>	<u>(262,590)</u>	<u>(1,149,521)</u>
<u>Book Value</u>	<u>Goodwill</u>	<u>Operation franchises</u>	<u>Computer software</u>	<u>Total</u>
January 1, 2008	<u>\$ 32,914</u>	<u>889,356</u>	<u>354,906</u>	<u>1,277,176</u>
December 31, 2008	<u>\$ 32,914</u>	<u>548,744</u>	<u>413,822</u>	<u>995,480</u>
January 1, 2007	<u>\$ 32,914</u>	<u>1,249,099</u>	<u>270,995</u>	<u>1,553,008</u>
December 31, 2007	<u>\$ 32,914</u>	<u>889,356</u>	<u>354,906</u>	<u>1,277,176</u>

For the year ended December 31, 2008 and 2007, the amortization for intangible assets of the Company and its subsidiaries were accounted for under operating expenses and amounted to \$472,703 and \$458,890, respectively.

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

(K) Other assets-net

	<u>December 31, 2008</u>	<u>December 31, 2007</u>
Operating deposits	\$ 830,000	845,000
Securities settlement fund	537,880	544,774
Cash and cash equivalents-collection of stock warrant's strike price	8	950
Cash and cash equivalents-collection of securities underwritten	8	9
Foreclosed properties	2,043,715	2,590,177
Allowance for collateral assumed	(343,962)	(128,534)
Securities brokerage debit accounts, net	214,154	1,263,196
Prepayments	564,601	784,000
Deferred income tax assets - net	73,147	64,413
Refundable deposits	381,068	478,103
Deferred debits	2,462	3,618
Restricted assets	1,324,710	1,496,500
Deferred pension cost	303	1,537
Other assets - other	10,514	10,556
Total	<u>\$ 5,638,608</u>	<u>7,954,299</u>

(L) Deposits from Central Bank and other banks

	<u>December 31, 2008</u>	<u>December 31, 2007</u>
Deposits from Central Bank	\$ 2,515	22,434
Deposits from banks	2,140,239	2,932,467
Overdrafts from banks	-	94,660
Call loans from banks	196,506	579,200
Post Office transfer deposits	8,460,345	12,160,053
Total	<u>\$ 10,799,605</u>	<u>15,788,814</u>

(M) Commercial paper payable-net

	<u>December 31, 2008</u>	<u>December 31, 2007</u>
Commercial paper payable	\$ 1,200,000	4,109,000
Less: Unamortized discount	(2,482)	(4,061)
Net	<u>\$ 1,197,518</u>	<u>4,104,939</u>

The issuance period for commercial paper payable is within 365 days, and operating securities and time deposits were provided as collateral. The annual interest rates ranged from 1.00% to 2.950% and 1.87% to 2.96% as of December 31, 2008 and 2007, respectively.

For the preceding commercial paper, time deposits and securities were pledged as collaterals amounting to \$16,000 and \$203,305 as of December 31, 2008 and 2007, respectively.

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

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

	<u>December 31, 2008</u>	<u>December 31, 2007</u>
Liabilities for stock warrants issued	\$ 37,580	1,038,706
Repurchased stock warrants	(33,335)	(888,439)
Sold options - futures	23,762	123,705
Payable for short covering-hedging	9,702	-
Payable for short covering- valuation adjustment	108	-
Financial derivative instruments liabilities	17,480	121,722
Subtotal	55,297	395,694
Adjustments in value of securities liabilities	520,160	8,957
Total	<u>\$ 575,457</u>	<u>404,651</u>

Net gains and losses on the financial liabilities held for trading of the Company and its subsidiaries amounted to \$75,063 and \$57,082 for the years 2008 and 2007, respectively.

(O) Liabilities for bills and bonds sold under repurchase agreements

	<u>December 31, 2008</u>	<u>December 31, 2007</u>
Central government construction bonds	\$ 9,231,047	10,312,913
Corporate bonds	2,524,996	4,061,164
Financial debentures	1,280,510	2,312,251
Total	<u>\$ 13,036,553</u>	<u>16,686,328</u>

Based on the repurchase agreements, after December 31, 2008 and 2007, the Company and its subsidiaries are obligated to repurchase the above bonds at the sales price plus a mark-up of \$13,060,257 and \$15,411,355, respectively.

(P) Accounts payables

	<u>December 31, 2008</u>	<u>December 31, 2007</u>
Accounts payable	\$ 797,412	3,275,130
Interests payable	1,013,826	1,049,640
Financing securities guaranty deposits	1,012,215	1,264,580
Futures traders' equity	6,906,373	5,782,374
Financing securities guaranteed proceeds payable	1,125,420	1,416,575
Factoring payable	369,874	677,803
Collection payable	24,448	37,097
Accrued expenses and Other payables	847,461	2,103,425
Income tax payable	755,479	754,454
Notes payable	117	117
Notes payable for clearing	556,466	645,438
Payables for purchase of trading government bonds	264,175	49,827
Payables for purchase of foreign marketable securities	-	65,362
Total	<u>\$ 13,673,266</u>	<u>17,121,822</u>

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

(Q) Deposits and remittances

	December 31, 2008	December 31, 2007
Checking deposits	\$ 853,841	1,044,662
Bank checks	244,015	110,279
Demand deposits	13,638,974	19,149,134
Time deposits	64,554,822	58,955,776
Savings deposits	105,133,310	113,662,461
Remittances under custody and remittances outstanding	366	8,438
Total	\$ 184,425,328	192,930,750

As of December 31, 2008 and 2007, negotiable certificates of time deposits amounted to \$1,445,400 and \$4,714,100, respectively.

(R) Bonds payable

	December 31, 2008	December 31, 2007
Financial debentures payable	\$ 7,000,000	7,000,000
Corporate bonds payable	3,401,500	9,000,000
Total	\$ 10,401,500	16,000,000

(a) Financial debentures payable

(1) On October 25, 2004, the Company's subsidiary Jih Sun International Bank Ltd. issued unsecured subordinated financial debentures totaling \$4,000,000. Terms and conditions of the issuance were as follows:

1. Issue price: At face value.
2. Issue period: From October 25, 2004 to April 25, 2010.
3. Interest rate: Fixed rate of 3.95%.
4. Interest accrual: Annual interest payments.
5. Repayment of principal: Full repayment of principal at maturity.

(2) On July 5, 2005, the Company's subsidiary Jih Sun International Bank Ltd. issued unsecured subordinated financial debentures totaling \$2,000,000. Terms and conditions of the issuance are as follows:

1. Issue price: At face value.
2. Issue period: From July 5, 2005 to July 5, 2012.
3. Interest rate: Fixed rate of 2.93%.

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

4. Interest accrual: Annual interest payments.
 5. Repayment of principal: Full repayment of principal at maturity.
- (3) On April 3, 2007, the Company's subsidiary Jih Sun International Bank Ltd. issued unsecured subordinated financial debentures totaling \$1,000,000. Terms and conditions of the issuance are as follows:
1. Issue price: At face value.
 2. Issue period: From April 3, 2007 to April 3, 2014.
 3. Interest rate: Fixed rate of 3.00%.
 4. Interest accrual: Annual interest payments.
 5. Repayment of principal: Full repayment of principal at maturity.

(b) Corporate bonds payable

Nature	Trustee and Certification Institution	Period	December 31, 2008	December 31, 2007	Pledged Assets
Secured Bonds	Cathay United Bank	2004.11.25~2009.11.25	\$ 500,000	500,000	Land, building and time deposits
Secured Bonds	Cathay United Bank	2004.11.26~2009.11.26	500,000	500,000	Land, building and time deposits
Unsecured Convertible Bonds	-	2005.03.28~2010.03.27	401,500	6,000,000	None
Unsecured Subordinated Bonds	-	2005.12.14~2012.12.14	2,000,000	2,000,000	None
			<u>\$ 3,401,500</u>	<u>9,000,000</u>	

- (1) On September 20, 2004, the Company's subsidiary Jih Sun Securities Co., Ltd.'s board of directors approved the first domestic secured bonds of \$1,000,000, and received approval of SFC Ruling Letter (2) No. 0930152308 from 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, par value of \$10,000 per unit, totally 100 units was issued, annual interest rate was 2.65%, a 5 years period and issued on par value. From the issuing date, interest was paid once a year, the principal would be due and repaid by the 5-year end.

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

- (2) On December 14, 2005, the Company issued the first domestic unsecured subordinated bond amounting to \$2,000,000 with interest rate 3.3% at par value. Interest would be paid annually in the next seven years. The principal would be due and repaid on December 14, 2012. If the consolidated capital adequacy ratio is lower than the minimum required capital adequacy due to the interest payment or the bonds repayment, the Company will not pay interest and repay the bonds until the consolidated capital adequacy is over the minimum required capital adequacy. The suspended-paid interest won't be calculated the deferred interest and the interest of rescheduling principal is calculated by the coupon rate.
- (3) On March 28, 2005, the Company issued domestic unsecured zero coupon convertible bonds amounting to \$6,000,000 at par value due in March 27, 2010. The terms of issuance are as follows:

1. Conversion period and conversion price:

The bondholders may, from one month after the issue date to ten days prior to the maturity date, convert the bonds into the Company's common stocks. The conversion price at the pricing date was NT\$10.9 per share. The conversion price will be adjusted due to changes in common stocks. As of December 31, 2008, the adjusted conversion price is NT\$10.8 per share.

2. Redemption at the option of the Company:

The Company may redeem the bonds, in whole or in part at any time on or after April 28, 2005 and before February 16, 2010 at their principal amount if 1) the closing price of the stock on the Over the Counter at the relevant prevailing rate for each of the 30 consecutive trading days, the last of which occurring no more than 40 days prior to the date of the notice of such redemption, is at least 50% of the conversion price, or 2) ten percent or less of principal amount of the bonds remain outstanding.

3. Redemption at the option of the bondholders:

The Company will, at the option of the holder of any bond, redeem such bonds on February 26, 2008 and February 26, 2009 at their principal amount.

The first domestic unsecured convertible corporate bonds, which were issued by the Company, reached the expiration of three years. As of March 27, 2008, the amount of redemption was \$5,598,500 and the amount of bond outstanding was \$401,500.

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

(S) Other borrowings

	December 31, 2008	December 31, 2007
Commercial paper payable	\$ 1,338,114	1,795,959
Long-term borrowings	-	2,400,000
Short-term borrowings – less than 1 year	1,650,000	2,995,000
Net	\$ 2,988,114	7,190,959

(a) Commercial Paper Payable

Creditor	Period	Credit line	December 31, 2008	December 31, 2007	Note
China Bills Finance Corp.	2007.03.08 ~ 2010.03.07	\$ 500,000	500,000	500,000	Use revolving within the limit
Mega Bills Finance Corp.	2007.03.06~2010.03.05	500,000	500,000	500,000	"
International Bills Finance Corp.	2007.02.07~2010.02.07	500,000	100,000	500,000	"
International Bills Finance Corp.	2007.05.04~2010.06.04	300,000	240,000	300,000	"
Subtotal			1,340,000	1,800,000	
Less: Unamortized discount			(1,886)	(4,041)	
			1,338,114	1,795,959	

(b) Long-term borrowings

Creditor	Period	Credit line	December 31, 2008	December 31, 2007	Note
Shanghai Commercial & Saving Bank, Ltd	2007.07.20~2010.07.20	\$100,000	-	80,000	Use revolving 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	"
Total			-	2,400,000	

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

(c) Short-term borrowings

<u>Nature of the loan</u>	<u>Amount</u>	<u>Interest rate</u>	<u>Credit line</u>	<u>Pledged assets</u>
December 31, 2008				
Credit loans	\$ 200,000	2.71%~2.95%	2,400,000	-
Secured loans	1,450,000	2.475%~2.975%	1,500,000	Marketable securities
Total	<u>\$ 1,650,000</u>			
December 31, 2007				
Credit loans	\$ 1,140,000	2.65%~3.23%	3,100,000	-
Secured loans	1,855,000	2.39%~3.1%	3,690,000	Saving accounts and time deposits
Total	<u>\$ 2,995,000</u>			

(T) Pension plan

(a) Net pension costs were as follows:

	<u>December 31, 2008</u>	<u>December 31, 2007</u>
Service cost	\$ 19,652	24,669
Interest cost	16,924	18,375
Expected return on plan assets	(13,062)	(12,480)
Amortization of unrecognized transition loss	(1,374)	(1,504)
Amortization of pension gain and loss	772	6,247
Curtailement or Settlement	(4,490)	(11,682)
Net pension cost	<u>\$ 18,422</u>	<u>23,625</u>

(b) Actuarial assumptions used to compute the projected benefit obligation and the reconciliation between year-end pension funded status and accrued pension liabilities per books were as follows:

	<u>December 31, 2008</u>	<u>December 31, 2007</u>
Discount rate	2.50%	3.50%
Future salary increase rate	1.00%~3.00%	1.00%~3.00%
Expected rate of return on plan assets	2.50%	2.50%

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

	<u>December 31, 2008</u>	<u>December 31, 2007</u>
Vested benefit obligation	\$ 24,215	20,424
Non-vested benefit obligation	411,431	351,541
Accumulated benefit obligation	435,646	371,965
Effect of future salary increase	161,505	113,573
Projected benefit obligation	597,151	485,538
Fair value of pension assets	(551,010)	(507,587)
Funded status	46,141	(22,049)
Unrecognized net transition asset	4,408	5,922
Unrecognized pension loss	(85,952)	(7,211)
Additional accrued pension liabilities	303	10,710
Accrued pension liabilities (prepaid pension)	<u>\$ (35,100)</u>	<u>(12,628)</u>
Deferred pension costs	<u>\$ 303</u>	<u>1,537</u>
Net loss not recognized as pension costs	<u>\$ -</u>	<u>9,172</u>

As of December 31, 2008 and 2007, the vested benefit obligation amounted to \$48,486 and \$24,138, respectively. The Company and its subsidiaries funded the pension cost according to the Labor Pension Act of R.O.C amounted to \$137,407 and \$141,461 for the years 2008 and 2007, respectively.

(U) Stockholders' equity

(a) Capital stock

The Company was established through a stock conversion between Jih Sun Securities Co., Ltd. and Jih Sun International Bank Ltd. on February 5, 2002. The conversion ratio was 1.44403 shares and 0.57759 shares, respectively, for a total of 2,194,760,000 shares issued at par value of \$10. On August 20, 2003, Jih Sun Securities Co., Ltd. shares were converted at a ratio of 1.444 shares for a total of 62,377,766 shares converted at par value of \$10. On December 8, 2003, 3,864,579 shares of treasury stock were retired at par value of \$10.

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

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

1. If the Company has the current year's earnings, the current year's earnings shall be allocated in the following order:
 - (1) Payment of all taxes and make certain adjustments in accordance with SFAS.
 - (2) Offset prior years' cumulative losses, if any.

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

- (3) After deducting (1) and (2), set aside 10% of the remaining amount as legal reserve and provide other special reserve or retain the earnings.
 - (4) After deducting (1), (2), and (3), the Company should distribute series A preferred stock dividend first.
- 2 The series A preferred stock dividend will be calculated at annual rate with 5.5%, and will be distributed in cash annually. The issued date was defined as base date for offering. (July 21, 2006)
 - 3 If the Company has no earnings or not enough to distribute dividend of series A preferred stock, the undistributed or distributed insufficient part won't accumulate to the next year.
 - 4 Except for the dividends described as 2. The series A preferred stock cannot join the assignment of remaining earnings to common stock and stock dividend from capital surplus.
 - 5 The stockholders of series A preferred stock have no right to vote at stockholder meeting, they also can not vote for directors and supervisors; but they can be elected as directors and supervisors.
 - 6 The offering was closed on July 21, 2006 and presented to Financial Supervisory Commission, Executive Yuan at the same day.

The Boards' meeting at February 26, 2007 and shareholders' meeting at April 10, 2007 had approved to decrease capital \$13,711,490, common shares were reduced 1,146,156,342 shares and preferred shares were reduced 224,992,611 shares. And the Company had obtained the approval letter from Financial Supervisory Commission, Executive Yuan at June 14, 2007, with the issuing number of FSC (1) 0960024642. The base date for capital reduction was at June 26, 2007 and the Company's register had completed at July 4, 2007.

The Boards' meeting at August 28, 2007, had approved to retire treasury stock 79,198,562 shares, which weren't transferred to the employees after the three years period from buying treasury stock. The Company had obtained the approval letter from Financial Supervisory Commission, Executive Yuan, with the issuing number of FSC (6) 09600437580. The base date for retired treasury stock was at September 10, 2007 and the Company's register had completed at November 5, 2007.

As of December 31, 2008, the Company's authorized capital was \$50,000,000, total outstanding capital was \$26,124,494, total outstanding common shares were 2,170,775,425 shares and preferred shares were 441,674,057 shares.

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

(b) Capital surplus

In pursue of Accounting Research and Development Foundation of the Republic of China Ruling Letter No. (90) 182 dated October 29, 2001, investment cost of the subsidiaries involved in the stock conversion between Jih Sun Securities Co., Ltd. and Jih Sun International Bank Ltd. is based on the difference between the book values of assets and liabilities of the subsidiaries, with par value reflected as capital stock and additional paid-in capital reflected as capital surplus. Additional paid-in capital resulting from the stock conversion amounted to \$10,061,508 with unappropriated earnings originally belonging to subsidiaries prior to conversion of \$2,472,392 required to be distributed as cash dividends in accordance to Article 47, Paragraph 4 of the Financial Holding Company Law. Unappropriated earnings transferred to increase capital are allowed during the year the conversion occurred, and the capitalization ratio does not restrict by Article 8 of the Securities Exchange Law Implementation Rule.

On August 20, 2003, shares of Jih Sun Securities Co., Ltd. were converted, resulting in an increase in long-term investments of \$640,586 and decrease in accumulated translation adjustments of \$123. After an adjustment of \$47,356 was made to treasury stock, capital surplus-issue premium of \$64,287 was recorded. On December 8, 2003, Jih Sun Securities Co., Ltd. retired treasury stock and the Company decreased capital surplus-issue premium in accordance to retire ratio by \$17,227 and recognized capital surplus-treasury stock transactions of \$17,731.

In November, and December, 2004, shares of Jih Sun Securities Co., Ltd. were converted, resulting in an increase in long-term investments of \$269,015 and a decrease in capital surplus-treasury stock transactions of \$20,080 and an increase in accumulated deficit of \$364,741.

(c) Treasury stock

According to the requirements under the Securities Exchange Law, the ratio of the number of treasury shares repurchased shall not exceed 10% of the total shares issued; the total amount of the shares repurchased shall not exceed the sum of retained earnings, premium on stock issuance, and realized capital surplus. The Company's highest amount of treasury shares held during the year was 160,000 thousand shares, respectively .and the total amount of treasury stock repurchased was \$1,532,161, which complies with the requirements under the Securities Exchange Law. Using financial statements as of March 31, 2004, the maximum amount of treasury stock repurchased was 225,327 thousand shares for a total of \$8,604,823, respectively. At August 1, 2007, the Company transferred 457 thousand shares (after capital reduction was 303 thousand shares) to the employees, with NT \$ 9.16 per share, total amounted to \$ 4,185. The Company's Broad of directors approved to retire the remaining untransferred 119,543 thousand shares (after capital reduction was 79,198 thousand shares) of treasury stock on August 28, 2007. The base date for capital reduction was at September 10, 2007. The Company had obtained the approval letter from Financial Supervisory commission, Executive Yuan, with the issuing number of FSC (6)09600437580. As of December 31, 2007, the Company has no treasury stock.

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

(V) Earnings distribution and dividend policy

After-tax earnings, if any, shall pay for taxes and offset cumulative losses, and 10% of the remainder will be set aside as legal reserve. Then, special reserve will be provided for according to related regulations. Any remaining balance will be distributed as employee bonus. Employee bonus distributed cannot be less than 0.01%. The distribution plan for total amount of shareholders' bonus, remuneration to directors and supervisors, and accumulated retained unappropriated earning from prior years should formulate by the Broad of Directors and distributed in accordance with the resolution of the shareholders' meeting. Special reserve may be reversed and transferred to unappropriated earnings due to changes in regulations or laws.

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

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

Due to accumulated deficit as of December 31, 2008 and 2007, the Company did not distribute employees' bonuses, director's and supervisors' remuneration.

The shareholders meeting at June 13, 2008 had approved the loss appropriation for 2007, the related information could be found in the Market Observation Post System.

The movement of unappropriated earning (Accumulated deficit) are as follow :

	2008	2007
Balance, January 1, 2008	\$ (320,358)	(15,366,125)
Capital surplus offset of accumulated deficit	0	1,654,635
Capital stock offset of accumulated deficit	0	13,711,490
Retirement of treasury stock	0	(389,990)
Net loss(Income)	(3,796,384)	69,632
Ending balance, December 31, 2008	<u>\$ (4,116,742)</u>	<u>(320,358)</u>

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

(W) Income tax

According to regulations stipulated by Ruling Letter No. 910458039 dated February 12, 2003, "Principles and regulations of profit seeking businesses filing joint tax returns in accordance to Article 49 of the Financial Holding Company Law and Article 40 of Enterprise Merger Law", when a financial holding company holds more than 90% of the shares of a domestic subsidiary, the financial holding company and the subsidiary can file a joint tax return once the financial holding company holds more than 90% of the subsidiary for 12 months during a taxable year. The Company jointly filed income tax returns for 2003 and earnings distribution for 2002 for the Company, Jih Sun Securities Co., Ltd., and Jih Sun International Bank Ltd.

Joint filing of the tax returns of the Company, Jih Sun Securities Co., Ltd, and Jin Sun International Bank, Ltd. resulted in a lowered tax burden due to tax incentives received, and since each individual company's tax burden was fairly distributed, management efficiency was raised.

(a) The components of income tax expense were as follows:

	<u>2008</u>	<u>2007</u>
Income tax currently payable	\$ 393,264	55,835
Deferred income tax benefit	(5,840)	(4,113)
Income tax benefit resulting from joint filing	(317,372)	-
Adjustment of prior year's taxable difference assessed by tax authority	40,132	-
Adjustment of prior year's income tax expense	(42,178)	7,158
Income tax expense	<u>\$ 68,006</u>	<u>58,880</u>

The components of deferred income tax benefit were as follows:

	<u>2008</u>	<u>2007</u>
Default indemnity reserve	\$ (3,583)	(3,059)
Employees' benefit	-	56
Pension cost realized	(2,257)	(1,110)
Total	<u>\$ (5,840)</u>	<u>(4,113)</u>

(b) Commencing from January 1, 2006, the consolidated company adopted the "Income Basic Tax Act" in determining the income basic tax, and the applicable income tax rate is 25%. The differences between income taxes, which were calculated as the sum of the net income before tax stated in consolidated company's income statement and the tax rate applicable to 2008 and 2007 according to the tax law. The income tax expenses were as follows:

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

Reconciliation of income before income tax calculated at the legal tax rate and the income tax of the current year is as follows:

	<u>2008</u>	<u>2007</u>
(Loss) income before income tax calculated at legal tax rate	\$ (1,716,083)	199,212
Permanent difference:		
Loss(gain) on disposal of securities	336,112	(376,849)
Investment loss(gain) under equity method	811,897	(338,045)
Net gain on domestic investment	(3,999)	(11,334)
Provision for market decline of operating securities	6,709	9,444
Difference between financial and tax treatment of bonds with repurchase agreement	(160,687)	268,582
Difference between financial and tax treatment of stock warrants	557	(57,744)
Provision for(reversal of) securities trading loss reserve	1,844	(6,378)
Loss from bond transactions	40,555	55,494
Gain on land transactions	(73,423)	(17,076)
Income tax exemption for OBU	(45,009)	(24,576)
Loss on market decline of collateral	53,857	38,920
Provision for (reversal of) credit loss over limit	86,633	(317,404)
Dividend income	(938)	(571)
Gain on futures and options transactions	(9,228)	-
Unrealized exchange gain	(296)	(884)
Unrealized derivative (loss) income	(30,318)	50,642
Adjustment of prior year's income tax	(2,046)	7,158
Income tax separately levied on interest income	5,085	2,820
Provision for default indemnity and securities trading loss	-	3,059
Amortization of employee benefit expense	-	(56)
Adjustments of deferred income tax assets	782,723	588,527
Income tax separately levied on gain from trading short-term note and bill	(4,752)	(2,250)
Other	(11,187)	(11,811)
Income Taxes Expense	<u>\$ 68,006</u>	<u>58,880</u>

(c) A summary of temporary differences and income tax effects of deferred tax assets and liabilities as of December 31, 2008 and 2007 were as follows:

	<u>December 31, 2008</u>		<u>December 31, 2007</u>	
	<u>Amount</u>	<u>Tax effect</u>	<u>Amount</u>	<u>Tax effect</u>
Deferred tax assets — current				
Investment tax credits	\$ 21,499	6,449	14,447	4,334
Set-up expenses	-	-	9	2
Allowance for deferred tax assets-current	-	-	(9)	(2)
Total	<u>\$ 21,499</u>	<u>6,449</u>	<u>14,447</u>	<u>4,334</u>

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

Deferred tax assets — non-current	December 31, 2008		December 31, 2007	
	Amount	Tax effect	Amount	Tax effect
Bad-debt loss	\$ 9,522	2,380	9,522	2,380
Default loss	132,841	33,211	118,514	29,629
Amortization of NPL disposal	2,589,870	647,468	4,735,363	1,183,841
Loss carry forwards	20,016,605	5,004,151	14,934,612	3,733,653
Investment tax credits	326,994	68,098	33,279	8,319
Pension cost	(46,603)	(11,651)	(37,839)	(9,460)
Allowance for deferred tax assets	(22,762,437)	(5,676,959)	(19,534,773)	(4,888,283)
Net	\$ 266,792	66,698	258,678	60,079

- (d) The company jointly filed income tax returns for 2008 for the Company, Jih Sun Securities Co., Ltd., and Jih Sun International Bank Ltd. There's no expected income tax payable for the 2008 tax returns and no income tax payable for the 2007 tax returns.
- (e) Income tax returns of the Company through 2002 had been examined and cleared by the tax authorities.
- (f) The Company estimated its income tax on stock warrant transactions pursuant to Ruling Letter 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. The Chinese Securities Association is currently asking for amendment of the law so that the loss from securities transactions and the royalty income can be offset, retroactive to 1997. However, before the amendment is finalized, the Company estimates its income tax according to the current regulation. According to the tax law, the Company estimated its income tax payable on stock warrant transactions from 2003 to 2006 amounted to \$873,579. Otherwise, according to the article of 24-2 the Income Tax Law which was announced on July 11, 2007:
- (1) 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.
 - (2) The transaction loss is produced from the trading of the stock, target valuable securities, and futures according to the risk management. The part of the transaction loss which exceeds the rest of the stock warrant right fee revenue deducted each related issuing cost and expenses are not deductible.

Income tax returns of the Company's subsidiary Jih Sun International Bank Ltd. through 2002 had been examined and cleared by the tax authorities.

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

Income tax returns of the Company's subsidiary Jih Sun Securities Co., Ltd. through 2002 had been examined and cleared by the tax authorities.

Income tax returns of the Futures through 2005 had been examined and cleared by the tax authorities.

- (g) According to R.O.C Income Tax Laws, losses can be carried forward to offset taxable income for ten years following the loss. As of December 31, 2008, unused carry forwards and expiration date of the Company and its subsidiaries were as follows:

<u>Period of loss</u>	<u>Year of expiration</u>	<u>Amount</u>
2004	2014	\$ 11,810
2005	2015	4,941,494
2006	2016	4,878,389
2007	2017	5,151,804
2008	2018	5,033,108
Total		<u>\$ 20,016,605</u>

- (h) Related information on imputation tax system:

	<u>December 31, 2008</u>	<u>December 31, 2007</u>
Balance of stockholders' imputation credit account	<u>\$ 1,804,513</u>	<u>1,816,144</u>

Due to accumulated deficit as of December 31, 2008 and 2007, estimated imputation credit ratio of earning distribution were both 0%.

- (i) Related information on undistributed earnings:

	<u>December 31, 2008</u>	<u>December 31, 2007</u>
Undistributed earnings of 1998 and after	<u>\$ (4,116,742)</u>	<u>(320,358)</u>

- (j) Information regarding income tax receivable(payable) resulting from joint filing of tax was as follow:

	<u>December 31, 2008</u>	<u>December 31, 2007</u>
Income tax payable resulting from joint filing-Jih Sun International Bank Ltd.	\$ (744,760)	(941,656)
Income tax receivable resulting from joint filing-Jih Sun Securities Co., Ltd.	159,222	622,833
	<u>\$ (585,538)</u>	<u>(318,823)</u>

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

(X) Earnings per share

	2008		2007	
	Before Tax	After Tax	Before Tax	After Tax
Consolidated gross net income (loss)	<u>\$ (3,723,959)</u>	<u>(3,791,965)</u>	<u>131,943</u>	<u>73,063</u>
Weighted-average shares of common stocks outstanding	<u>2,170,775,425</u>	<u>2,170,775,425</u>	<u>2,170,472,657</u>	<u>2,170,472,657</u>
Basic EPS (NT dollar)	<u>\$ (1.72)</u>	<u>(1.75)</u>	<u>0.06</u>	<u>0.03</u>

Diluted Earnings per share:

	2008		2007	
	Before Tax	After Tax	Before Tax	After Tax
Weighted-average shares of common stocks outstanding	-	-	2,170,472,657	2,170,472,657
Shares of convertible bond	-	-	508,474,576	508,474,576
	-	-	<u>2,678,947,233</u>	<u>2,678,947,233</u>
Diluted EPS (NT dollar)	<u>\$ -</u>	<u>-</u>	<u>0.05</u>	<u>0.03</u>

(Y) Other non-interest gain or loss

Investment Item	2008	2007
Gain on financial assets carried at cost-net	\$ 6,021	28,913
Recovery of bad debts written-off	364,622	293,716
Gain on sale of collateral assumed	143,054	279,590
Rental revenue-operating assets	10,682	13,576
Loss on sale and scrap of premises and equipment	209,425	(19,758)
Dividend income	117,907	212,883
Securities borrowing and short covering on bonds under resell agreements and net gain (loss) from evaluation	(68,574)	21,884
Gain on issuance of stock warrants	111,423	517,586
Futures consulting fees	1,406	1,085
Securities registration and service fee	31,389	30,047
Others	92,750	225,810
Total	<u>\$ 1,020,105</u>	<u>1,605,332</u>

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

(Z) Financial instruments

(a) Information on Reclassification of Financial Assets

(1) The reclassified amounts and reasons of financial assets

	2008
	Reclassification
	Available for sale- Financial assets
Items which were initially classified as financial assets held for trading	\$ 990,580

In the consolidated financial statement, the Company's subsidiary Jih Sun Securities Co., Ltd. has the intention and ability to reclassify its financial assets for the foreseeable future or until maturity from those classified as held for trading at initial recognition. In addition, due to the dramatic changes in the domestic and global financial and economic trends in recent periods, where the facts and circumstances indicated that the situations were those rare ones stated in item 1, (3) ② of paragraph 104 of SFAS No. 34 "Financial Instruments: Recognition and Measurement," the Company reclassified its financial instrument to available-for-sale financial assets from those classified as held for trading at initial recognition.

(2) Book value and fair value of financial assets which were reclassified

	For the year ended December 31, 2008	
	Book value	Fair value
Available-for-sale financial assets	\$ 941,960	\$ 941,960

(3) Reclassification of financial assets

	Items which were classified as financial assets held for trading	
	Losses on financial assets measured at fair value through profit or loss if not reclassified	The amount recognized in profit or loss under reclassification
For the year ended December 31, 2008	\$ (83,594)	\$ -

For the years ended December 31, 2008 and 2007, reclassification of financial assets measured at fair value through profit or loss of the Company's subsidiary Jih Sun Securities Co., Ltd. were recognized in losses amounted to \$33,688 and \$18,652, respectively.

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

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

<u>Financial Assets</u>	<u>December 31, 2008</u>		<u>December 31, 2007</u>	
	Book Value (Nominal Principal)	Fair Value	Book Value (Nominal Principal)	Fair Value
<u>Non-derivative financial instruments</u>				
Financial assets with book value equal to fair value	\$ 228,184,103	228,184,103	249,120,303	249,120,303
Financial assets measured at fair value through profit or loss	17,339,985	17,339,985	27,849,174	27,849,174
Investment in securities purchased under resell agreements	2,027,821	2,027,821	8,197,029	8,197,029
Available-for-sale financial assets	2,431,138	2,431,138	1,804,279	1,804,279
<u>Derivative financial instruments</u>				
Futures margin deposit	662,664	662,664	1,105,182	1,105,182
Derivative financial instruments	18,906	18,906	27,040	27,040
Forward contract	478,281	24,081	2,403,175	5,134
Futures	-	-	23,821	59,861
SWAP	529,030	45,286	-	-
Currency option	358,764	38,059	1,528,577	21,447
Interest rate products	32,000,000	437,404	31,048,860	17,672

<u>Financial Liabilities</u>	<u>December 31, 2008</u>		<u>December 31, 2007</u>	
	Book Value (Nominal Principal)	Fair Value	Book Value (Nominal Principal)	Fair Value
<u>Non-derivative financial instruments</u>				
Financial liabilities with book value equal to fair value	\$ 211,017,149	211,017,149	231,634,951	231,634,951
Bills and bonds sold under repurchase agreements	13,036,553	13,036,553	16,686,328	16,686,328
Bonds payable	10,401,500	10,401,500	16,000,000	16,000,000
Other borrowings	2,988,114	2,988,114	7,190,959	7,190,959
<u>Derivative financial instruments</u>				
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)
Sold options-future	23,762	23,762	123,705	123,705
Payable for short covering - hedging	9,810	9,810	-	-
Derivative financial instruments-over the counter	15,880	15,880	107,570	107,570
Forward contract	352,700	14,946	-	-
SWAP	643,878	49,904	475,454	1,647
Currency option	358,764	38,059	1,528,577	21,447
Foreign currency stock options	-	-	178,727	15
Interest rate products	32,000,000	418,851	-	-

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

(c) Information on fair value of financial instruments:

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

(1) Financial assets and liabilities with fair value are equivalent to their book value :

The fair value of short-term instruments was estimated by their book value on the balance sheet date. Since these instruments have short-term maturities, the book value is adopted as a reasonable basis in estimating the fair value. Short-term financial instruments comprise financial assets such as cash and cash equivalents, due from Central Bank and call loans to banks, receivable—net, loans—net, other financial assets—net, other assets—net (operating deposits, securities settlement fund, collateral assumed—net, guarantee deposits paid, restricted assets and securities brokerage debit accounts—net.) As short-term financial liabilities comprise such as deposits from Central Bank and other banks, commercial paper payable, payables, deposits, other financial liabilities, other reserves and other liabilities.

(2) The fair value of bonds payable and other borrowings are evaluated based on the present value of expected future cash flows. The discount rate is based on rates of equivalent long-term borrowings available elsewhere; that is, long-term borrowings with similar maturity date and terms.

(3) If there is a quoted price in an active market for the financial asset and liability, the quoted price is regarded as its fair value. If there is no quoted price in an active market for the financial asset, its fair value is estimated on the basis of the result of a valuation technique. The estimates and assumptions of the valuation techniques are based on the Company's financial data or other market participants.

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

- (4) The fair value of the financial instruments of the Company and its subsidiaries, which were based on quoted market price or determined by using certain valuation techniques were as follows:

	December 31, 2008		December 31, 2007	
	Based on quoted market prices	Determined value by using valuation techniques	Based on quoted market prices	Determined value by using valuation techniques
Financial Assets				
Non-derivative financial instruments				
Financial assets with book value equal to fair value	\$ -	228,184,103	-	249,120,303
Financial assets measured at fair value through profit or loss	17,339,985	-	27,837,825	11,349
Investment in securities purchased under resell agreement	-	2,027,821	-	8,197,029
Available-for-sale financial assets	158,219	2,272,919	398,003	1,406,276
Derivative financial instruments				
Futures margin deposit	662,664	-	1,105,182	-
Derivative financial instruments	-	18,906	-	27,040
Forward contract	-	24,081	-	5,134
Futures	-	-	59,861	-
SWAP	45,286	-	-	-
Currency option	-	38,059	-	21,447
Interest rate products	-	437,404	-	17,672
Financial Liabilities				
Non-derivative financial instruments				
Financial liabilities with book value equal to fair value	\$ -	211,017,149	-	231,634,951
Bills and bonds sold under repurchase agreements	-	13,036,553	-	16,686,328
Bonds payable	-	10,401,500	-	16,000,000
Other borrowings	-	2,988,114	-	7,190,959
Derivative financial instruments				
Liabilities for stock warrants issued	37,580	-	1,038,706	-
Repurchase of stock warrant	(33,335)	-	(888,439)	-
Sold options-future	23,762	-	123,705	-
Payable for short covering-hedging	-	9,810	-	-
Derivative financial instruments-liability	15,880	-	107,570	-
SWAP	49,904	-	1,647	-
Currency option	-	38,059	-	21,447
Foreign currency stock options	-	-	15	-
Forward contract	-	14,946	-	-
Interest rate products	-	418,851	-	-

- (d) For the years ended December 31, 2008 and 2007, the gains (losses) recognized from the fair value evaluation of financial instruments by using quoted market prices amounted to \$116,855 and (\$197,117), respectively. For the years ended December 31, 2008 and 2007, the current evaluation gains recognized from the fair value evaluation of financial instruments by using valuation techniques amounted to \$4,416 and \$24,903, respectively.

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

(e) Financial risk management system and risk information:

The financial risk management structures of the Company and its subsidiaries include the board of directors of the Company and its subsidiaries, top management, the Risk Management Committee, the risk management division and risk management unit under individual business group. The major objective of operating strategies is to monitor and manage related risk structures for overall risk of the Company which the risk management division is response to receive relevant risks arising from risk management unit under individual business group. Furthermore, the Risk Management Committee, the risk management division and risk management unit under individual business group are allocated to monitor and manage related risk within each business group in order to meet appropriate balance between risk and return, and the expectation return of shareholders.

In consideration of the operating goal and increase return of shareholders', appropriate risk management was a direction of operating strategies in order to enhance the effective risk management system and sound business operation. Therefore, the board of directors of the Company and its subsidiaries sets out and approves risk management strategies to meet the efficiently and effectively risk management system; these strategies are used to control and manage relevant risk.

(1) Policies of risk control management:

1. The rule of risk management

- a. The risk management system of a scientific approach was to analysis risk objectively and deliberately in order to achieve reasonable return.
- b. The risk management structure of efficient approach was executed by individual business unit to carry out daily management operation and sets the risk management segment to provide periodic risk management report for the board of directors
- c. The risk management function as integration was to monitor capital adequacy of financial holding company and its subsidiaries base on the business scale, credit risk, market risk, operation risk and future operation tendency. Furthermore, the Company established risk management function in monitoring investment risk for each investment allocation against the Company's overall risk exposure, eligible capital and liabilities characteristics

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

2. The operation of risk management function should have characteristics as following:
 - a. Immediately: The Jih Sun financial holding and its subsidiary's decision process could take place for risk raise; therefore, forecast report, prevent stratagem and avoid method should be addressed by risk management function at the time.
 - b. Effectively: The Jih Sun financial holding and its subsidiary should set appropriate risk management procedure, control method and emergency response plan to keep the effectiveness of the risk management function against any possible risk.

(2) Various risk in consolidated company

1. Market risk

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

The Company and its subsidiaries internally recognize, measure, control and manage market risk by adopting the traditional position authorize quota, stop-gain/loss limits and risk indicator limitation (i.e.: Greeks, PVBP, DV01...) along with a value-at-risk (VaR) approach to estimate the exposure of position. VaR is estimated for the maximum possible loss from the change of market price which arising from position at special period and confidence level.

The Company and its subsidiaries' market risk measurement model consists risk factors with Interest, FX, Equity, Commodity and etc.

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

- ◆ Model: Mainly according to Monte Carlo simulations model, with option to use the Variance-covariance matrices model or historical simulations model.
- ◆ Method: Base on the market movement within one year to estimate fluctuation rate by using EWMA.
- ◆ Frequency: Market data updates daily by taking consideration of the correlation on market price factors. VaR is calculated based on ten business days (one-side) with 99% confidence level.

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

VaR for the quarter of 2008 were as follows: (a hundred million)

99% C.L ten days VaR	Average	Highest	Lowest
Exchange instrument	0.130	0.234	0.049
Interest instrument	0.044	0.093	0.015
Equity instrument	0.037	0.025	0.011
Distribution effective	(0.079)	(0.090)	(0.027)
VaR	0.131	0.262	0.048
99% C.L one day VaR	Average	Highest	Lowest
Exchange instrument	0.042	0.076	0.016
Interest instrument	0.014	0.030	0.005
Equity instrument	0.013	0.009	0.004
Distribution effective	(0.027)	(0.030)	(0.009)
VaR	0.042	0.085	0.016

VaR for the quarter of 2007 were as follows: (a hundred million)

99% C.L ten days VaR	Average	Highest	Lowest
Exchange instrument	0.82	0.95	0.76
Interest instrument	0.23	0.20	0.27
Equity instrument	0.35	0.39	0.31
Distribution effective	(0.51)	(0.42)	(0.59)
VaR	0.89	1.12	0.88
99% C.L one day VaR	Average	Highest	Lowest
Exchange instrument	0.26	0.30	0.24
Interest instrument	0.07	0.06	0.09
Equity instrument	0.12	0.13	0.10
Distribution effective	(0.16)	(0.12)	(0.19)
VaR	0.29	0.37	0.24

2. Credit Risk

Credit risk is defined in the event when counterparties fail to perform its obligation which arising from operate financial instrument actively and expand the business with possible loss or financial worse by the counterparties or credit customers. Therefore, evaluation method is set for asset quality and classification to compute and control the exposure regarding to the industry characteristics. The method should be reviewed periodically to recognized allowance for credit loss and reserve. Moreover, according to the credit policy for credit rating and asset diversify, the credit information of counterparties and credit customers should be monitor and collect as management indicator to decrease the risk for default and concentrations.

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

Concentrations of credit risk exist when counter-parties to financial instrument transactions are individuals or groups engaged in similar activities with similar economic characteristics, which would impair their ability to meet contractual obligations under negative economic or other conditions. There is no concentration of credit risk in terms of a single client, a party to a transaction, or clients located in nearby regions, except for clients being in one single industry with similar industrial characteristics. Contracts with concentration of credit risk were as follows:

Type of industries	December 31, 2008		December 31, 2007	
	Book Value	Maximum exposure to credit risk	Book Value	Maximum exposure to credit risk
Financial industries	\$ 1,960,741	1,508,093	4,368,246	3,685,096
Manufacturing industries	898,694	851,391	1,392,872	1,245,562
Other	137,813,045	84,573,893	163,137,380	104,282,858
Total	\$ 140,672,480	86,933,377	168,898,498	109,213,516

Geographic location	December 31, 2008		December 31, 2007	
Domestic	\$ 132,596,169	79,125,661	164,375,481	104,690,499
Other	8,076,311	7,807,716	4,523,017	4,523,017
Total	\$ 140,672,480	86,933,377	168,898,498	109,213,516

Financial instruments with off-balance-sheet credit risk:

Because the Company's subsidiary Jih Sun International Bank Ltd. provides loans and issues credit cards, it has substantial credit commitments with most of the credit commitments confined within one year. Commitments credit interest interval were 0.04% to 20% and credit cards interest could reach with highest 20%. Furthermore, the Company's subsidiary Jih Sun International Bank Ltd. provides guarantees endorsements and commercial letters of credit as guarantee for clients' obligations to third parties which these commitments are usually matured in one year with different time period.

The contract amounts of financial instruments with off-balance-sheet credit risk were as follows:

	December 31, 2008	December 31, 2007
Loans commitments	\$ 13,899,043	17,609,871
Credit card commitments	57,993,826	60,971,387
Financial guarantee and commercial letter of credit	1,380,308	3,134,899
	\$ 73,273,177	81,716,157

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

As of December 31, 2008 and 2007, unused loans commitments which were recognized by the Company's subsidiary Jih Sun International Bank Ltd. amounted to \$13,899,043 and \$17,609,871, respectively, while unused credit card commitments amounted to \$56,035,525 and \$58,485,061, respectively.

As of December 31, 2008 and 2007, non-cancelable credit limit of unused loans commitments were \$0.

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

Prior to providing loans, guarantees endorsements and commercial letters of credit, the Company's subsidiary Jih Sun International Bank Ltd. performs a strict credit review. According to the policy required, when providing a loan for a specific client, the Company's subsidiary Jih Sun International Bank Ltd. will request the client to furnish appropriate collaterals. The rate of guarantee loan to total loan is 77.94%. The guarantee rate of guarantees endorsements and commercial letter of credit is between 0% and 100% with average rate of 13.00%. The acceptable collateral for loans, guarantees endorsements and commercial letters of credit includes cash, inventory, securities or other assets. If the counterparty fails to comply with its obligation, the Company and its subsidiaries are granted the right to dispose of that collateral.

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

3. Liquidity Risk

In the light of liquidity risk, in accordance with reserve required and minimum liquidity ratio set by the competent authority, the Company and its subsidiaries established analysis for liquidity gap to define the management indicator and limitation indicator against liquidity risk to become worse. The capital and operation fund of the Company and its subsidiaries are enough to pay for its obligations, therefore, there is no liquidity risk regarding to the fund for the obligation.

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

Due analysis was as follows:

Financial instrument	December 31, 2008			
	Under 1 month		Over 1 month to 3 month	
	Amount	Refund Amount	Amount	Refund Amount
Asset				
Cash and cash equivalents	\$ 20,838,638	20,838,638	7,750,000	7,750,000
Due from Central Bank and call loans to banks	36,536,956	36,536,956	-	-
Financial assets held for trading	882,586	882,586	-	-
Receivables(excluding allowance for bad debts)	1,294,255	1,294,255	536,338	536,338
Available-for-sale financial assets	158,219	158,219	-	-
Investment in securities purchased under resell agreements	999,103	999,103	-	-
Loans (excluding non accrual loans and allowance for bad debts)	4,657,087	4,657,087	4,307,540	4,307,540
Other financial assets (excluding non accrual loans)	7,349	7,349	101,279	101,279
Total	\$ 65,374,193	65,374,193	12,695,157	12,695,157
Liabilities:				
Deposits from Central Bank and other banks	\$ 2,276,290	2,276,290	1,097,820	1,097,820
Trading purpose financial liabilities	521,760	521,760	-	-
Bills and bonds sold under repurchase agreements	100,000	100,000	-	-
Payables	1,498,918	1,498,918	327,116	327,116
Deposits and remittances	79,254,928	79,254,928	26,207,187	26,207,187
Financial debentures	-	-	-	-
Other financial liabilities	-	-	-	-
Total	\$ 83,651,896	83,651,896	27,632,123	27,632,123
Net currency gap	\$(18,277,703)	(18,277,703)	(14,936,966)	(14,936,966)

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

Financial instrument	December 31, 2008			
	Over 3 month to 1 year		Over 1 year to 2 year	
	Amount	Refund Amount	Amount	Refund Amount
Asset				
Cash and cash equivalents	\$ 2,000,000	2,000,000	-	-
Due from Central Bank and call loans to banks	-	-	-	-
Financial assets held for trading	697,960	697,960	1,843,156	1,843,156
Receivables(excluding allowance for bad debts)	2,325,870	2,325,870	824,143	824,143
Available-for-sale financial assets	-	-	-	-
Investment in securities purchased under resell agreements	-	-	-	-
Loans (excluding non accrual loans and allowance for bad debts)	12,770,060	12,770,060	11,317,593	11,317,593
Other financial assets (excluding non accrual loans)	453,686	453,686	27,400	27,400
Total	\$ 18,247,576	18,247,576	14,012,292	14,012,292
Liabilities:				
Deposits from Central Bank and other banks	\$ 7,275,495	7,275,495	150,000	150,000
Trading purpose financial liabilities	-	-	-	-
Bills and bonds sold under repurchase agreements	-	-	-	-
Payables	988,799	988,799	47,248	47,248
Deposits and remittances	85,615,685	85,615,685	3,576,862	3,576,862
Financial debentures	-	-	4,000,000	4,000,000
Other financial liabilities	3,600	3,600	12,300	12,300
Total	\$ 93,883,579	93,883,579	7,786,410	7,786,410
Net currency gap	\$(75,636,003)	(75,636,003)	6,225,882	6,225,882

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

Financial instrument	December 31, 2008			
	Over 2 year to 3year		Over 3 year to 4year	
	Amount	Refund Amount	Amount	Refund Amount
Asset				
Cash and cash equivalents	\$ -	-	-	-
Due from Central Bank and call loans to banks	-	-	-	-
Financial assets held for trading	1,008,817	1,008,817	406,919	406,919
Receivables(excluding allowance for bad debts)	-	-	-	-
Available-for-sale financial assets	-	-	-	-
Investment in securities purchased under resell agreements	-	-	-	-
Loans (excluding non accrual loans and allowance for bad debts)	7,830,843	7,830,843	7,302,032	7,302,032
Other financial assets (excluding non accrual loans)	9,698	9,698	11,069	11,069
Total	\$ 8,849,358	8,849,358	7,720,020	7,720,020
Liabilities:				
Deposits from Central Bank and other banks	\$ -	-	-	-
Trading purpose financial liabilities	-	-	-	-
Bills and bonds sold under repurchase agreements	-	-	-	-
Payables	-	-	-	-
Deposits and remittances	1,980,271	1,980,271	-	-
Financial debentures	-	-	2,000,000	2,000,000
Other financial liabilities	14,100	14,100	14,100	14,100
Total	\$ 1,994,371	1,994,371	2,014,100	2,014,100
Net currency gap	\$ 6,854,987	6,854,987	5,705,920	5,705,920

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

Financial instrument	December 31, 2008			
	Over 4 year to 5 year		Over 5 year	
	Amount	Refund Amount	Amount	Refund Amount
Asset				
Cash and cash equivalents	\$ -	-	-	-
Due from Central Bank and call loans to banks	-	-	-	-
Financial assets held for trading	547,465	547,465	106,384	106,384
Receivables(excluding allowance for bad debts)	-	-	-	-
Available-for-sale financial assets	-	-	-	-
Investment in securities purchased under resell agreements	-	-	-	-
Loans (excluding non accrual loans and allowance for bad debts)	5,686,078	5,686,078	82,279,610	82,279,610
Other financial assets (excluding non accrual loans)	3,735	3,735	911,002	911,002
Total	\$ 6,237,278	6,237,278	83,296,996	83,296,996
Liabilities:				
Deposits from Central Bank and other banks	\$ -	-	-	-
Trading purpose financial liabilities	-	-	-	-
Bills and bonds sold under repurchase agreements	-	-	-	-
Payables	-	-	-	-
Deposits and remittances	-	-	-	-
Financial debentures	-	-	1,000,000	1,000,000
Other financial liabilities	14,100	14,100	23,700	23,700
Total	\$ 14,100	14,100	1,023,700	1,023,700
Net currency gap	\$ 6,223,178	6,223,178	82,273,296	82,273,296

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

<u>Financial instrument</u>	<u>December 31, 2008</u>	
	<u>Total</u>	
	<u>Amount</u>	<u>Refund Amount</u>
Asset		
Cash and cash equivalents	\$ 30,588,638	30,588,638
Due from Central Bank and call loans to banks	36,536,956	36,536,956
Financial assets held for trading	5,493,287	5,493,287
Receivables(excluding allowance for bad debts)	4,980,606	4,980,606
Available-for-sale financial assets	158,219	158,219
Investment in securities purchased		
under resell agreements	999,103	999,103
Loans (excluding non accrual loans and allowance for bad debts)	136,150,843	136,150,843
Other financial assets (excluding non accrual loans)	1,525,218	1,525,218
Total	<u>\$ 216,432,870</u>	<u>216,432,870</u>
Liabilities:		
Deposits from Central Bank and other banks	\$ 10,799,605	10,799,605
Trading purpose financial liabilities	521,760	521,760
Bills and bonds sold under repurchase	100,000	100,000
Payables	2,862,081	2,862,081
Deposits and remittances	196,634,933	196,634,933
Financial debentures	7,000,000	7,000,000
Other financial liabilities	81,900	81,900
Total	<u>\$ 218,000,279</u>	<u>218,000,279</u>
Net currency gap	<u>\$ (1,567,409)</u>	<u>(1,567,409)</u>

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

Financial instrument	December 31, 2007			
	Under 1 month		Over 1 month to 3 month	
	Amount	Refund Amount	Amount	Refund Amount
Asset				
Cash and cash equivalents	\$ 6,009,586	6,009,586	-	-
Due from Central Bank and call loans to banks	32,668,387	32,668,387	-	-
Financial assets held for trading	134,038	134,038	-	-
Receivables(excluding allowance for bad debts)	2,545,322	2,545,322	819,577	819,577
Available-for-sale financial assets	398,003	398,003	-	-
Investment in securities purchased under resell agreements	7,189,533	7,189,533	-	-
Loans (excluding non accrual loans and allowance for bad debts)	1,261,698	1,261,698	13,187,645	13,187,645
Other financial assets (excluding non accrual loans)	70,653	70,653	105,833	105,833
Total	\$ 50,277,220	50,277,220	14,113,055	14,113,055
Liabilities:				
Deposits from Central Bank and other banks	\$ 3,401,415	3,401,415	1,788,492	1,788,492
Trading purpose financial liabilities	23,109	23,109	-	-
Bills and bonds sold under repurchase agreements	73,101	73,101	-	-
Payables	2,123,104	2,123,104	544,858	544,858
Deposits and remittances	87,505,531	87,505,531	34,200,787	34,200,787
Financial debentures	-	-	-	-
Other financial liabilities	-	-	-	-
Total	\$ 93,126,260	93,126,260	36,534,137	36,534,137
Net currency gap	\$ (42,849,040)	(42,849,040)	(22,421,082)	(22,421,082)

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

Financial instrument	December 31, 2007			
	Over 3 month to 1 year		Over 1 year to 2 year	
	Amount	Refund Amount	Amount	Refund Amount
Asset				
Cash and cash equivalents	\$ -	-	-	-
Due from Central Bank and call loans to banks	-	-	-	-
Financial assets held for trading	224,456	224,456	2,076,034	2,076,034
Receivables(excluding allowance for bad debts)	3,550,190	3,550,190	955,128	955,128
Available-for-sale financial assets	-	-	-	-
Investment in securities purchased under resell agreements	-	-	-	-
Loans (excluding non accrual loans and allowance for bad debts)	18,839,538	18,839,538	14,123,417	14,123,417
Other financial assets (excluding non accrual loans)	487,139	487,139	4,204	4,204
Total	\$ 23,101,323	23,101,323	17,158,783	17,158,783
Liabilities:				
Deposits from Central Bank and other banks	\$ 10,028,907	10,028,907	570,000	570,000
Trading purpose financial liabilities	-	-	-	-
Bills and bonds sold under repurchase agreements	-	-	-	-
Payables	1,312,183	1,312,183	117,017	117,017
Deposits and remittances	73,022,593	73,022,593	5,970,184	5,970,184
Financial debentures	-	-	-	-
Other financial liabilities	900	900	14,100	14,100
Total	\$ 84,364,583	84,364,583	6,671,301	6,671,301
Net currency gap	\$ (61,263,260)	(61,263,260)	10,487,482	10,487,482

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

Financial instrument	December 31, 2007			
	Over 2 year to 3year		Over 3 year to 4year	
	Amount	Refund Amount	Amount	Refund Amount
Asset				
Cash and cash equivalents	\$ -	-	-	-
Due from Central Bank and call loans to banks	-	-	-	-
Financial assets held for trading	3,162,222	3,162,222	861,071	861,071
Receivables(excluding allowance for bad debts)	-	-	-	-
Available-for-sale financial assets	-	-	-	-
Investment in securities purchased under resell agreements	-	-	-	-
Loans (excluding non accrual loans and allowance for bad debts)	11,818,880	11,818,880	6,641,561	6,641,561
Other financial assets (excluding non accrual loans)	5,806	5,806	3,678	3,678
Total	\$ 14,986,908	14,986,908	7,506,310	7,506,310
Liabilities:				
Deposits from Central Bank and other banks	\$ -	-	-	-
Trading purpose financial liabilities	-	-	-	-
Bills and bonds sold under repurchase agreements	-	-	-	-
Payables	-	-	-	-
Deposits and remittances	1,492,832	1,492,832	-	-
Financial debentures	4,000,000	4,000,000	-	-
Other financial liabilities	14,100	14,100	14,100	14,100
Total	\$ 5,506,932	5,506,932	14,100	14,100
Net currency gap	\$ 9,479,976	9,479,976	7,492,210	7,492,210

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

Financial instrument	December 31, 2007			
	Over 4 year to 5 year		Over 5 year	
	Amount	Refund Amount	Amount	Refund Amount
Asset				
Cash and cash equivalents	\$ -	-	-	-
Due from Central Bank and call loans to banks	-	-	-	-
Financial assets held for trading	1,477,783	1,477,783	434,208	434,208
Receivables(excluding allowance for bad debts)	-	-	-	-
Available-for-sale financial assets	-	-	-	-
Investment in securities purchased under resell agreements	-	-	-	-
Loans (excluding non accrual loans and allowance for bad debts)	7,339,665	7,339,665	89,223,469	89,223,469
Other financial assets (excluding non accrual loans)	1,416	1,416	1,011,615	1,011,615
Total	\$ 8,818,864	8,818,864	90,669,292	90,669,292
Liabilities:				
Deposits from Central Bank and other banks	\$ -	-	-	-
Trading purpose financial liabilities	-	-	-	-
Bills and bonds sold under repurchase agreements	-	-	-	-
Payables	-	-	-	-
Deposits and remittances	-	-	-	-
Financial debentures	2,000,000	2,000,000	1,000,000	1,000,000
Other financial liabilities	14,100	14,100	28,200	28,200
Total	\$ 2,014,100	2,014,100	1,028,200	1,028,200
Net currency gap	\$ 6,804,764	6,804,764	89,641,092	89,641,092

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

Financial instrument	December 31, 2007	
	Total	
	Amount	Refund Amount
Asset		
Cash and cash equivalents	\$ 6,009,586	6,009,586
Due from Central Bank and call loans to banks	32,668,387	32,668,387
Financial assets held for trading	8,369,812	8,369,812
Receivables(excluding allowance for bad debts)	7,870,217	7,870,217
Available-for-sale financial assets	398,003	398,003
Investment in securities purchased under resell agreements	7,189,533	7,189,533
Loans (excluding non accrual loans and allowance for bad debts)	162,435,873	162,435,873
Held-to-maturity financial assets	-	-
Other financial assets (excluding non accrual loans)	1,690,344	1,690,344
Total	\$ 226,631,755	226,631,755
Liabilities:		
Deposits from Central Bank and other banks	\$ 15,788,814	15,788,814
Trading purpose financial liabilities	23,109	23,109
Bills and bonds sold under repurchase agreements	73,101	73,101
Payables	4,097,162	4,097,162
Deposits and remittances	202,191,927	202,191,927
Financial debentures	7,000,000	7,000,000
Other financial liabilities	85,500	85,500
Total	\$ 229,259,613	229,259,613
Net currency gap	\$ (2,627,858)	(2,627,858)

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

4. Cash flow risk and fair value risk rising from interest rate fluctuation:

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

A. Information of expected interest rate reset date and maturity date:

As of December 31, 2008, the reset and maturity dates are not affected by the contract date. The interest rate risk exposures on assets and liabilities of the Company's subsidiary Jih Sun International Bank Ltd. were shown below. Financial assets and liabilities were presented at book value which was allocated to time bands by reference to the earlier of the next interest rate (whichever earlier). According to the time bands on aforesaid assets and liabilities, the financial instruments held or issued by the Company's subsidiary Jih Sun International Bank Ltd. were as follows:

Financial instrument	December 31, 2008					Total
	0-30 days	31-90 days	91-180 days	180 days-1 year	Over 1 year	
Assets:						
Due from Central Bank, bank deposit and call loans to banks	\$ 55,528,660	7,700,000	1,550,000	500,000	-	65,278,660
Financial assets held for trading	882,587	-	-	748,826	3,861,874	5,493,287
Investment in securities purchased under resell agreements	999,103	-	-	-	-	999,103
Available-for-sale financial assets	-	-	-	-	158,219	158,219
Loans (excluding non accrual loans)	110,994,988	4,312,332	1,616,875	2,911,486	16,315,162	136,150,843
Short-term advances	595,257	-	-	-	-	595,257
Total	\$169,000,595	12,012,332	3,166,875	4,160,312	20,335,255	208,675,369
Liabilities:						
Deposits from Central Bank and other banks	\$ 10,679,605	100,000	-	20,000	-	10,799,605
Bills and bonds sold under repurchase agreements	100,000	-	-	-	-	100,000
Deposits and remittances	101,058,979	21,114,549	20,953,764	48,722,284	4,785,357	196,634,933
Financial debentures	-	-	-	-	7,000,000	7,000,000
Total	\$111,838,584	21,214,549	20,953,764	48,742,284	11,785,357	214,534,538
Interest sensitive gap	\$ 57,162,011	(9,202,217)	(17,786,889)	(44,581,972)	8,549,898	(5,859,169)

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

Financial instrument	December 31, 2007					Total
	0-30 days	31-90 days	91-180 days	180 days-1 year	Over 1 year	
Assets:						
Due from Central Bank, bank deposit and call loans to banks	\$ 35,100,943	500,000	50,000	900,000	-	36,550,943
Financial assets held for trading	-	-	107,653	250,842	8,011,317	8,369,812
Available-for-sale financial assets	-	-	-	-	398,003	398,003
Loans (excluding non accrual loans)	124,407,614	5,735,500	3,641,138	3,392,669	25,258,952	162,435,873
Short-term advances	635,033	-	-	-	-	635,033
Total	\$160,143,590	6,235,500	3,798,791	4,543,511	33,668,272	208,389,664
Liabilities:						
Bills and bonds sold under repurchase agreements	73,101	-	-	-	-	73,101
Deposits and remittances	125,446,031	23,178,129	15,944,537	33,602,251	4,020,979	202,191,927
Financial debentures	-	-	-	-	7,000,000	7,000,000
Total	\$125,519,132	23,178,129	15,944,537	33,602,251	11,020,979	209,265,028
Interest sensitive gap	\$ 34,624,458	(16,942,629)	(12,145,746)	(29,058,740)	22,647,293	(875,364)

B. Effective interest rates (Excluding financial assets held for trading)

As of December 31, 2008 and 2007, the effective interest rate of financial instruments held and issued by the Company's subsidiary Jih Sun International Bank Ltd. were as follows:

Financial instrument item	December 31, 2008	December 31, 2007
Due from Central Bank, bank deposit and call loans to banks	1.80	2.51
Investment in securities purchase under resell agreements	1.82	1.81
Available-for-sale financial assets (return rate)	0.90	2.32
Held-to-maturity financial assets(including gain/loss at matured date)	-	4.45
Discounted and loans	3.82	4.22
Deposits from Central Bank and others banks	2.29	2.13
Bills and bonds sold under repurchase agreements	1.67	1.73
Financial debentures	3.52	3.67
Deposits and remittances	1.92	1.71

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

5. Operation risk (including law risk):

Upon the transaction and information usage between the Company and its subsidiaries, because of the internal events such as inappropriate policy, human carelessness, insufficient monitoring and system abnormality etc that may cause indirect risk; or because of the external events such as imposture, the disputation of customers and products and operation lawsuit etc that may cause direct risk when operation people doing business. For this reason, the company should review the internal operation handbook, operation procedure, the system of information security and emergency operation plan periodically or occasionally. With regard to each procedure, the company shall revise suitable mechanism for each procedure point that may cause potential possible loss and set up the authority scope for every level personnel. Once the events happen, the effect of the character and relative losses must be recorded. The operation management units shall collect, analyze, generalize loss data to set up management pattern in order to decrease repeat occur risk.

(AA) Transferring of financial assets

As of July 10, 2007, the Company's subsidiary Jih Sun Securities Co., Ltd. sold the bond, and the book value amounted to \$4,876,841. According to the special purpose trust (SPT), the Company transferred the principal to First Bank for issuing equity securities amounting to \$10,137,333, and received the approval of the Financial Supervisory Commission, Executive Yuan with the issuing number of FSC(4) 09600065310, on May 21, 2007.

(5) RELATED-PARTY TRANSACTIONS

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

<u>Name of related party</u>	<u>Relationship with the Company</u>
Jih Sun Venture Capital Co., Ltd	The investee company carried under cost method of the Company's subsidiary Jih Sun Securities Co., Ltd.
Jih Sun Securities Investment Trust Co., Ltd.	The investee company under the equity method of the Company's subsidiary Jih Sun Securities Co., Ltd. since March, 2008
Yong Da Investment Co., Ltd.	Related party in substance (stop being a related party since 2008)
Shinsei Bank	The major shareholder that holds for 43.37% of the Company's shares.
Other related parties	The Company and its subsidiaries Jih Sun Securities Co., Ltd. and Jih Sun International Bank Ltd. 's directors, supervisors, relatives and spouses of the aforementioned persons and chief offices for each department (branches).

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

(B) Significant transactions between the Company and related parties:

(a) Deposit

<u>Name of Related Party</u>	<u>Ending Balance</u>	<u>Maximum Balance</u>	<u>Interest Revenue</u>	<u>Interest Interval %</u>
<u>December 31, 2008</u>				
Jih Sun Securities Investment Trust Co., Ltd.	145,051	797,440	7,632	0%~2.73%
Others	249,841	935,381	7,162	0%~7.95%
	<u>\$ 394,892</u>		<u>14,794</u>	

<u>Name of Related Party</u>	<u>Ending Balance</u>	<u>Maximum Balance</u>	<u>Interest Revenue</u>	<u>Interest Interval %</u>
<u>December 31, 2007</u>				
Others	<u>\$ 380,575</u>	865,801	<u>6,933</u>	0%~7.74%

(b) Loan

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

<u>December 31, 2008</u>							
Classification	Amount or Related Party Name	Maxium balance	Ending balance	Agreement		Collateral	Loan conditions
				Normal loans	Overdue loans		
Employee consumer loan	3	3,263	2,906	2,906	-	Deposit	(Note)
Personal house mortagaed loan	25	97,051	84,549	84,549	-	Real estate	"

<u>December 31, 2007</u>							
Classification	Amount or Related Party Name	Maxium balance	Ending balance	Agreement		Collateral	Loan conditions
				Normal loans	Overdue loans		
Personal house mortagaed loan	26	113,659	92,035	92,035	-	Real estate	(Note)

Note: The above rates of loans are substantially the same as for comparable transactions with third-party counterparties.

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

As of December 31, 2008 and 2007, there was no delinquency in the credit line provided to related parties. Allowance for bad debts was recognized the same as percentage of general financing, which was computed by 1% of the loan balance. For the related-party credit policy, the Company's subsidiary Jih Sun International Bank Ltd. follows the requirements under Articles 32, 33, 33-1, 33-2, 33-4, 33-5 of the Banking Law, and does not provide credit loans without collateral. For collateralized loans, the collateral normally consists of a full guarantee, and the terms (including interest rate, collateral and related appraisal, guarantor requirement, loan term, repayment method of principal and interest, etc.) must not be superior to those of other parties for similar types of loan. Financing provided to a related party, which individually or cumulatively amounts to \$100,000 or 1% of the Company's subsidiary Jih Sun International Bank Ltd.'s net worth, whichever is lower, must be presented to the Board of Directors and Supervisors for review. This Board meeting must be attended by two-thirds of the directors and approved by three-fourths of the directors in attendance. The terms and conditions of loans to related parties are not superior to those given to non-related parties.

As of December 31, 2008, there was no off-balance sheet commitment between the consolidated Company and its related parties.

- (c) 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 Securities Investment Trust Co., Ltd.	<u>\$ 942</u>	<u>23,000</u>	<u>-</u>	<u>-</u>

- (d) The accounts receivable 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 Securities Investment Trust Co., Ltd.	<u>\$ 40</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>Other Receivables</u>				
Jih Sun Securities Investment Trust Co., Ltd.	<u>\$ 159</u>	<u>-</u>	<u>-</u>	<u>-</u>

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

(e) Lease

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

<u>Name of related party</u>	<u>2008</u>	<u>2007</u>
Yong Da Investment Co., Ltd.	-	9,576
Jih Sun Securities Investment Trust Co., Ltd.	3,696	-
Total	\$ 3,696	9,576

The consolidated Company's guarantee deposit of offices and the amounts paid were as follows:
(Recorded as refundable deposits)

<u>Name of related party</u>	<u>2008</u>	<u>2007</u>
Yong Da Investment Co., Ltd.	-	2,395
Jih Sun Securities Investment Trust Co., Ltd.	924	-
Total	\$ 924	2,395

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

<u>Name of related party</u>	<u>2008</u>	<u>2007</u>
Jih Sun Securities Investment Trust Co., Ltd.	\$ 606	-

The guarantee deposits received from related parties were as follows: (Recorded as refundable deposits)

<u>Name of related party</u>	<u>December 31,</u>	
	<u>2008</u>	<u>2007</u>
Jih Sun Securities Investment Trust Co., Ltd.	\$ 88	-

(f) The Company's subsidiary Jih Sun Securities Co., Ltd received from Jih Sun Securities Investment Trust Co., Ltd. Were as follows:

	<u>2008</u>	<u>2007</u>
Securities registration and service fee	\$ 240	-
Revenue from utilities expense allocated	2,001	-
Total	\$ 2,241	-

(g) The Company's subsidiary Jih Sun Securities Co., Ltd. sold the equipment to Jih Sun Securities Investment Trust Co., Ltd. on 2008 for \$6, the book value of equipment was \$6 and gain on sale was \$0.

(h) For the year ended December 31, 2008, the bonuses for the Company's subsidiary Jih Sun International Bank Ltd. to sell funds for Jih Sun Securities Investment Trust Co., Ltd. were amounting to \$7,347.

(i) The Company's subsidiary Jih Sun International Bank Ltd. purchased international syndicated loans amounting of \$485,760(equivalent to USD \$16,000) from MMI International Limited from Shinsei Bank (Japan) during the year of 2008.

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

(C) Salary information for main management

For the years ended December 31, 2008 and 2007, the Company's salary information for directors, supervisors, general manager and vice general managers were as follows:

	<u>2008</u>	<u>2007</u>
Salaries	\$ 17,960	37,272
Bonus and special allowances	30,876	27,027
Business executive expenses	1,440	1,400
Employee bonuses	-	-
Total	<u>\$ 50,276</u>	<u>65,699</u>

For the years ended December 31, 2008 and 2007, the consolidated Company's salary information for directors, supervisors, general manager and vice general managers were as follows:

	<u>2008</u>	<u>2007</u>
Salaries	\$ 72,691	92,062
Bonus and special allowances	44,356	45,103
Business executive expenses	6,382	6,947
Employee bonuses	1,250	1,866
Total	<u>\$ 124,679</u>	<u>145,978</u>

(6) PLEDGED ASSETS

<u>Pledged assets</u>	<u>Objects</u>	<u>December 31,</u>	
		<u>2008</u>	<u>2007</u>
Pledged assets (time deposits, saving account)	Commercial papers payable, Bank Loan, Corporate Bonds	\$ 1,324,710	1,496,500
Liabilities of bonds with repurchase agreement	Government bonds	100,000	73,101
Available-for-sale financial assets	Bank Loan	752,669	735,572
Premises and equipment – land	Corporate Bonds	1,259,205	1,259,205
– building	Corporate Bonds	568,404	389,112
Time deposits (recorded as refundable deposits)	Court Drawing	22,394	14,000
Total		<u>\$ 4,027,382</u>	<u>3,967,490</u>

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

(7) SIGNIFICANT COMMITMENTS AND CONTINGENCIES

(A) Significant contract of equipment purchase and office renovations

As of December 31, 2008 and 2007, contracts for equipment purchase were approximately \$49,791 and \$49,994, respectively, of which \$2,558 and \$13,247 were not paid yet, respectively.

(B) Significant lawsuit

1. The Company's subsidiary Jih Sun Securities Co., Ltd. acted as the co-underwriter for Jeng-Yih Company's application for government approval to trade over the counter. Subsequently, Jeng-Yih Company stopped trading over the counter because of a significant amount of notes unpaid. Therefore, the investors have sued the board of directors, supervisors, the independent auditors, and the underwriters of Jeng-Yih Company for total damages of \$71,017. The litigation procedure is currently in process.
2. As of December 31, 2008 and 2007, the Company's subsidiary Jih Sun Securities Co., Ltd. had applied to the court for provisional seizure in connection with protection of its rights related to collateral on defaulted securities transactions. Therefore, the Company made guarantee deposits of \$8,727 and \$8,984, respectively (recorded as refundable deposit) and seized the debtor's assets.
3. Three customers of the Tai-Chung Branch of the Company's subsidiary Jih Sun Securities Co., Ltd. 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's subsidiary Jih Sun Securities Co., Ltd. to be responsible jointly and claimed for \$82,757 with interest. The litigation procedure is in process. Except the case that client Yang sued the Company's subsidiary Jih Sun Securities Co., Ltd. for \$26,890 was a controversial issue, the other two clients' claim in the early part should be considered a debt dispute between the client and the employee, and the Company's subsidiary Jih Sun Securities Co., Ltd. should not be responsible for any compensation liability.
4. The customer of Xin-Yi branch of the Company's subsidiary Jih Sun Securities Co., Ltd. alleged that the employee did not follow the instruction to buy or sell stock, so the client requested the company to pay \$13,732 for a loss. The claim in the early part should be considered a debt dispute between the client and the employee, and the company should not be responsible for any compensation liability.
5. Due to the fact that the Company's subsidiary Jih Sun International Bank Ltd. is acting as the guarantor of Tan-Tai Construction Company, Taipei City Hydraulic Engineering Office issued a claim against the Company's subsidiary Jih Sun International Bank Ltd. to pay guarantee deposit. The Company's subsidiary Jih Sun International Bank Ltd. is sentenced to pay to Tan-Tai Construction Company amounting to \$30,637 by Taipei District Court. However, the Company's subsidiary Jih Sun International Bank Ltd. appeal the case to a higher court, and this case is still in progress.

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

(C) Significant Commitments and Contingencies of International Bank Ltd.

	2008.12.31	2007.12.31
Acted as an agent for various collections	\$ 293,842	612,662
Entrusted with the sale of U.S dollar traveler's checks	\$ 61,627	147,382
Handled several guarantees (including joint handling of foreign exchange transactions)	\$ 1,797,613	2,426,958
Outstanding bank acceptance liabilities	\$ 73,709	391,230
Letters of credit	\$ 488,760	2,058,048
Acted as custodian of post-dated checks for its clients (excluding next day's checks for clearing)	\$ 11,394,787	16,034,591
Direct credit guarantees consisting of general guaranteed bonds (corporate bonds)	\$ 62,831	83,775
Guarantee letters for financial guarantees of loans and securities (commercial paper)	\$ 859,000	992,000
Performance bonds	\$ 820,145	1,116,020
Guarantee letters issued for specified transactions	\$ 875,782	1,351,183

(D) Company held client-owned stocks

As of December 31, 2008 and 2007, in connection with its securities financing activities, the Securities held client-owned stocks which were approximately 717,874,575 shares and 1,142,461,320 shares, respectively; stocks loaning out to clients were approximately 43,137,000 shares and 28,668,000 shares, respectively, and the Company received guarantee deposits in full from the clients.

(E) Operating lease

The yearly rent payables of the Company's operating place were as follows:

Year	Rent payable
1.1.2009 ~ 12.31.2009	\$ 325,249
1.1.2010 ~ 12.31.2010	240,693
1.1.2011 ~ 12.31.2011	131,813
1.1.2012 ~ 12.31.2012	56,963
1.1.2013 ~ 12.31.2013	22,287
Total	\$ 777,005

(F) Except for mentioned as above, other consolidated subsidiaries have no significant commitments and contingencies.

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

(G) In accordance with Articles No. 17 of the Enforcement Rules of the Trust Enterprise Act, the balance sheet and the property list of trust account were as follows:

TRUST BALANCE SHEET

Trust Assets	December 31, 2008	December 31, 2007
Cash in Bank	\$ 451,572	411,897
Bonds	8,612,376	18,079,395
Securities	3,833,632	3,132,660
Funds	14,984,112	17,013,985
Real Estate-net		
Land of the principal	3,379,756	4,502,501
Principal house and building	169,481	192,300
Construction in process of the principal	1,817,392	1,497,237
Monetary obligation trust	372,260	2,264,986
Securities in custody	844,676	-
Other assets	2,000	13,686
Total Trust Assets	\$ 34,467,257	47,108,647
Trust Liabilities	December 31, 2008	December 31, 2007
Payables	\$ 135,800	135,800
Other Liabilities	2,215	1,173
Advance collections	-	956
Payable for securities in custody	844,676	-
Trust Capital		
Monetry trust	23,865,980	35,302,923
Securities trust	3,705,603	3,067,994
Real estate trust	5,634,052	6,165,227
Monetry obligation and real right of pledge	416,946	2,418,363
Reserves and accumulated losses		
The principal adds up to the profit and loss	5,577,701	(3,104,459)
Net (loss) income for the period	(5,715,716)	3,120,670
Total Trust Liabilities	\$ 34,467,257	47,108,647

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

TRUST PROPERTY LIST

<u>Investment Item</u>	<u>December 31, 2008</u>	<u>December 31, 2007</u>
Bonds	\$ 8,612,376	18,079,395
Securities	3,833,632	3,132,660
Funds	14,984,112	17,013,985
Cash in Bank	451,572	411,897
Monetary obligation trust	372,260	2,264,986
Real Estate-net		
Land of the principal	3,379,756	4,502,501
Principal house and building	169,481	192,300
Construction in process of the principal	1,817,392	1,497,237
Securities in custody	844,676	-
Other assets	2,000	13,686
Total	<u>\$ 34,467,257</u>	<u>47,108,647</u>

TRUST INCOME STATEMENT

<u>Investment Item</u>	<u>2008</u>	<u>2007</u>
Trust revenues		
Principal interest income	\$ 3,974	2,866
Principal rent income	15,785	9,621
Principal cash dividend	1,163,796	2,033,983
Gain on sales of properties	430,801	1,706,314
Trust expenses		
Principal administration expenses	26,812	143,099
Principal tax expenses	4,269	3,410
Principal interest expenses	60	21
Loss on sales of properties	7,297,230	483,786
Principal other expenses	706	-
Principal income tax expenses	995	1,798
Total	<u>\$ (5,715,716)</u>	<u>3,120,670</u>

(8) SIGNIFICANT CATASTROPHIC LOSSES: NONE

(9) SIGNIFICANT SUBSEQUENT EVENTS: NONE

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

(10) OTHERS

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

Function	2008	2007
Nature	Operating Expenses	Operating Expenses
Personnel Expenses		
Salaries and Wages	\$ 2,848,589	3,497,060
Insurance	213,015	217,766
Pension Expenses	179,063	184,798
Other Personnel Expenses	120,147	151,350
Subtotal of Personnel Expenses	3,360,814	4,050,974
Depreciation Expenses	421,334	474,494
Depletion Expenses	-	-
Amortization Expenses	473,207	460,160

(B) Capital Adequacy Ratio:

Company \ Item	Holding ratio of Financial holding company	2008.12.31		2007.12.31	
		Qualified capital	Legal reserve needed	Qualified capital	Legal reserve needed
Jih Sun Financial holding company	100%	23,192,700	27,278,232	27,582,278	31,483,233
Jih Sun International bank	100%	10,787,514	10,055,416	14,609,791	13,356,067
Jih Sun Securities company	100%	13,476,105	3,755,537	13,279,912	5,174,724
Other subsidiaries	100%	6,898	4,398	5,702	3,817
Items to be deducted	-	27,431,743	27,063,194	32,106,296	30,850,687
Subtotal		20,031,474	14,030,389	23,371,387	19,167,154
Capital Adequacy Ratio			142.77		121.93

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

(C) Jih Sun Financial holding company's eligible capital

Items	2008.12.31	2007.12.31
Common stocks	21,707,754	21,707,754
Perpetual non-cumulative preferred shares and non-cumulative subordinated noted without a maturity date	-	-
Other preferred stock and subordinated debentures	6,016,741	6,416,741
Capital collected in advance	-	-
Legal reserve	-	-
Special reserve	-	-
Accumulated deficit	(4,116,742)	(320,358)
Equity adjustments	(413,002)	(217,852)
Less :Goodwill	-	-
Less: Deferred assets	2,051	4,007
Total	23,192,700	27,582,278

(D) As required by Financial Holding Companies Law, Article No.46, the credits(Note2), guarantees(Note3) and other transactions(Note4) amount and ratio as percentage of net assets to the same person, the same related party and the same related company as of December 31, 2008 were as follows:

Name	Amount of loans authorization, guarantees and other transactions	% the financial holding company's net worth
Hon Hai Group	1,318	6.08%
Han Shin Group	1,173	5.42%
Elenset Group	1,420	6.56%
Shinkong Group	8,451	39.03%
Fubon Group	10,823	49.99%
President Group	6,078	28.09%
Cathay Financial Holding Group	1,883	8.70%
Kinpo Group	1,778	8.21%
Hontai Group	5,263	24.32%
Chi Mei Group	1,583	7.31%
Yuen Foong Paper Group	7,168	33.11%
Formosa Plastic Group	5,877	27.15%
Tainan Spinning Group	1,223	5.65%
Yuanta Financial Holding Group	2,700	12.48%
Tatung Group	1,269	5.86%
China Development Financial Holding Group	5,427	25.07%

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

Name	Amount of loans authorization, guarantees and other transactions	% the financial holding company's net worth
Chinatrust Financial Holding Group	6,493	30.00%
Polaris Securities Co., Ltd	3,300	15.24%
Taishin Bills Finance Corporation	1,700	7.85%
Taishin Securities Co., Ltd.	1,800	8.32%
Taishin International Bank	3,800	17.55%
Taipeifubon Commercial Bank	10,107	46.69%
Uni-President Securities	5,700	26.33%
First Bank	1,224	5.65%
Cathay United Bank	1,800	8.32%
Capital Securities	5,100	23.56%
Mega Securities	2,700	12.47%
SinoPac Securities	2,801	12.94%
SinoPac Bank	3,600	16.63%
Formosa Petrochemical Corporation	1,905	8.80%
Nan Ya Technology Co.	2,620	12.10%
Yuanta Commercial Bank	2,400	11.09%
KGI Securities	4,700	21.71%
Chinatrust Commercial Bank	6,251	28.88%
City Bank	3,500	16.17%
Standard Chartered Bank	9,300	42.96%
Taitea Enterprise Co., Ltd	1,689	7.80%
Taiwan High Speed Rail Co.	2,881	13.31%
Deutsche Bank.A.G	3,901	18.02%

Note:

1. If the aggregate amount of credit extended, guarantees given, or any other transactions conducted by all subsidiaries of the financial holding company to, for, or with the same person, same related person or same affiliate is greater than the lower of 5% of net worth of the financial holding company or NT\$3 billion, the related transaction information needs to be filed according to the table refer above.
2. Credit includes loans, discounts, overdrafts, acceptances, guarantees and other lines of business operations designated by the Central Competent Authority.
3. Guarantees here are indicative of endorsements and guarantees of for bills finance corporations.

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

4. Other transactions with the same person, same related person, or same affiliate (hereinafter referred to as “the affiliates”) here are indicative of the transactions listed below:
- (1) Investment in or purchase of securities issued by any of the affiliates mentioned in the preceding paragraph.
 - (2) Purchase of real estate or other assets from any of the affiliates mentioned in the preceding paragraph.
 - (3) Sale of securities, real estate or other assets to any of the affiliates mentioned in the preceding paragraph.
 - (4) Entering into agreements regarding payment of money or provision of services with any of the affiliates mentioned in the preceding paragraph.
 - (5) Arrangements involving any of the affiliates mentioned in the preceding paragraph acting as an agent or broker of a financial holding company or its subsidiaries or providing other services which charge commission or fees.
 - (6) Engaging in transactions with third parties having a relationship with any of the affiliates mentioned in the preceding paragraph or engaging in transactions with third parties in which the affiliates mentioned in the preceding paragraph.
 - (7) The amount of the transactions with the affiliates mentioned in the preceding paragraph shall not include negotiable certificates of deposit issued by the Company’s subsidiary Jih Sun International Bank Ltd.
 - (8) Financial institutions charge customers for the delivery of voting capital, the transactions of bonds with repurchase agreements. The amount of the transactions with affiliates mentioned in the preceding paragraph shall not include.

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

(E) Functional financial information:

2008						
Item	Consumer Financial Service	Corporate Financial Service	Investment Management service	Wealth Management service	Cost Center	Total
Net interest income(loss)	\$ 1,412,028	866,602	43,577	2,016,661	(373,021)	3,965,847
Non-interest income(loss)	399,974	437,023	(52,364)	3,348,144	(2,409)	4,130,368
Net Revenues(Expense)	1,812,002	1,303,625	(8,787)	5,364,805	(375,430)	8,096,215
Bad debts	3,108,989	2,004,173	-	-	-	5,113,162
Insurance duty reserve	-	-	-	-	-	-
Operating Expenses	1,058,338	629,363	529,387	4,102,362	387,562	6,707,012
Net income (loss) before tax from continuing operations	(2,355,325)	(1,329,911)	(538,174)	1,262,443	(762,992)	(3,723,959)
Income tax (benefit) expense	-	-	3,537	66,865	(2,396)	68,006
Net income (loss) after tax from continuing operations	(2,355,325)	(1,329,911)	(541,711)	1,195,578	(760,596)	(3,791,965)
2007						
Item	Consumer Financial Service	Corporate Financial Service	Investment Management service	Wealth Management service	Cost Center	Total
Net interest income(loss)	\$ 1,899,448	1,055,413	111,118	2,577,377	(184,613)	5,458,743
Non-interest income(loss)	347,025	732,208	811,848	5,745,672	(74,362)	7,562,391
Net Revenues(Expense)	2,246,473	1,787,621	922,966	8,323,049	(258,975)	13,021,134
Bad debts	3,291,788	1,653,134	-	-	-	4,944,922
Insurance duty reserve	-	-	-	-	-	-
Operating Expenses	1,249,552	866,165	694,816	4,666,863	466,873	7,944,269
Net income (loss) before tax from continuing operations	(2,294,867)	(731,678)	228,150	3,656,186	(725,848)	131,943
Income tax (benefit) expense	(1,024,092)	(326,514)	101,813	1,631,585	(323,912)	58,880
Net income (loss) after tax from continuing operations	(1,270,775)	(405,164)	126,337	2,024,601	(401,936)	73,063

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

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

(a) Balance sheets:

Assets	December 31, 2008	December 31, 2007
Cash and cash equivalents	\$ 32,897	2,873,961
Receivables – net	451,879	831,529
Investments under the equity method – net	27,063,194	30,850,687
Premises and equipment – net	3,218	5,484
Other assets – net	54,643	6,597
Total Assets	\$ 27,605,831	34,568,258
Liabilities and stockholders' equity		
Short-term borrowings	\$ 1,650,000	-
Commercial papers payable	1,197,518	-
Payables	750,032	963,002
Bonds payable	2,401,500	8,000,000
Accrued pension liabilities	12,031	18,971
Total Liabilities	6,011,081	8,981,973
Stock		
Common stock	21,707,754	21,707,754
Preferred stock	4,416,740	4,416,740
Accumulated deficit	(4,116,742)	(320,358)
Other items of stockholders' equity		
Cumulative translation adjustments	(83,662)	(110,996)
Net loss not recognized as pension costs	-	(9,172)
Unrealized loss from available-for-sale financial assets	(329,340)	(97,683)
Total stockholders' equity	21,594,750	25,586,285
Total liabilities and stockholders' equity	\$ 27,605,831	34,568,258

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

(b) Statements of income:

	<u>2008</u>	<u>2007</u>
Revenues		
Investment income under the equity method	\$ -	253,292
Other revenues	30,004	65,004
Total	<u>30,004</u>	<u>318,296</u>
Expenses and losses		
Investment loss under the equity method	3,547,874	-
Operating Expenses	140,615	182,409
Interest Expenses	131,253	66,022
Other expenses and losses	6,646	203
Total	<u>3,826,388</u>	<u>248,634</u>
Net (loss) income before income tax	(3,796,384)	69,662
Income tax expense	-	30
Net (loss) income after income tax	<u>\$ (3,796,384)</u>	<u>69,632</u>
EPS before tax (NT dollar)	<u>\$ (1.75)</u>	<u>0.03</u>
EPS after tax (NT dollar)	<u>\$ (1.75)</u>	<u>0.03</u>
Diluted EPS(before tax)(NT dollar)	\$ -	0.03
Diluted EPS(after tax)(NT dollar)	<u>\$ -</u>	<u>0.03</u>

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

(c) Statements of changes in stockholders' equity:

Item	Capital stock		Capital Surplus			Equity adjustment					Total
	Common stock	Preferred stock	Additional paid-in capital	Treasury stock	Accumulated deficit	Unrealized loss on available-for-sale financial assets	Cumulative translation adjustments	Net loss not recognized as pension cost	Treasury stock		
Beginning balance - January 1, 2007	\$ 33,961,303	6,666,667	1,654,635	15,419	(15,366,125)	109,035	(99,258)	(9,950)	(1,201,580)	25,730,146	
Net income for 2007	-	-	-	-	69,632	-	-	-	-	69,632	
Recognition of translation adjustment of subsidiaries	-	-	-	-	-	-	(11,738)	-	-	(11,738)	
Capital surplus against accumulated deficit	-	-	(1,654,635)	-	1,654,635	-	-	-	-	-	
Capital stock against deficit	(11,461,563)	(2,249,927)	-	-	13,711,490	-	-	-	-	-	
Adjustment of net loss not recognized as pension cost	-	-	-	-	-	-	-	778	-	778	
Recognition of unrealized gains on available-for-sale financial assets of subsidiaries	-	-	-	-	-	(206,718)	-	-	-	(206,718)	
Treasury stock transferred to employees	-	-	-	(375)	-	-	-	-	4,560	4,185	
Refirement of treasury stock	(791,986)	-	-	(15,044)	(389,990)	-	-	-	1,197,020	-	
Ending balance - December 31, 2007	\$ 21,707,754	4,416,740	-	-	(320,358)	(97,683)	(110,996)	(9,172)	-	25,586,285	
Beginning balance - January 1, 2008	\$ 21,707,754	4,416,740	-	-	(320,358)	(97,683)	(110,996)	(9,172)	-	25,586,285	
Net loss for 2008	-	-	-	-	(3,796,384)	-	-	-	-	(3,796,384)	
Recognition of translation adjustment of subsidiaries	-	-	-	-	-	-	27,334	-	-	27,334	
Recognition of unrealized gains on available-for-sale financial assets of subsidiaries	-	-	-	-	-	(231,657)	-	-	-	(231,657)	
Adjustment of net loss not recognized as pension cost	-	-	-	-	-	-	-	9,172	-	9,172	
Ending balance - December 31, 2008	\$ 21,707,754	4,416,740	-	-	(4,116,742)	(329,340)	(83,662)	-	-	21,594,750	

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

(d) Statements of cash flows:

	2008		2007	
	Subtotal	Total	Subtotal	Total
Cash flow from operating activities:				
Net income (loss)	\$ (3,796,384)		69,632	
Adjustment Loss				
Depreciation and amortization expenses	2,595		2,857	
Investment loss (income) from under the equity method(including employee bonuses, director's and supervisors' remuneration)	3,547,874		(253,292)	
Cash dividend under the equity method	1,835,298		1,029,500	
Changes in operating assets and liabilities				
Decrease(Increase) in receivables	379,649		(350,996)	
Increase in other assets	(50,002)		(854)	
(Decrease)Increase in accounts payable	(212,971)		419,528	
Increase in accrued pension liabilities	3,466		2,587	
Net cash provided by operating activities:		<u>1,709,525</u>		<u>918,962</u>
Cash flow from investing activities:				
Long-term investment	(1,800,000)		(1,000,000)	
Sales of premises and equipment	531		-	
Acquisition of premises and equipment	(138)		-	
Net cash flow used in investing activities		<u>(1,799,607)</u>		<u>(1,000,000)</u>
Cash flow from financing activities				
Increase in commercial paper payable	1,197,518		-	
Decrease in corporate bonds payable	(5,598,500)		-	
Increase in short-term borrowings	1,650,000		-	
Treasury stock transferred to employees	-		4,185	
Net cash (used) provided by financing activities		<u>(2,750,982)</u>		<u>4,185</u>
Net decrease in cash and cash equivalents		<u>(2,841,064)</u>		<u>(76,853)</u>
Cash and cash equivalents, beginning of the period		<u>2,873,961</u>		<u>2,950,814</u>
Cash and cash equivalents, end of the period		<u>\$ 32,897</u>		<u>2,873,961</u>
Supplemental disclosures of cash flow information:				
Interest paid during the year(not including capitalized interest)		<u>\$ 130,090</u>		<u>66,022</u>
Income taxes paid during the year		<u>\$ 2,805</u>		<u>6,063</u>
Changes in net loss not recognized as pension cost		<u>\$ 9,172</u>		<u>(778)</u>

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

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

(a) Jih Sun International Bank Ltd.:

1. Condensed balance sheets

Assets	December 31, 2008	December 31, 2007
Cash and cash equivalents	\$ 30,588,638	6,009,586
Due from Central Bank and call loans to banks	36,536,956	32,668,387
Financial assets measured at fair value through profit or loss—net	5,493,287	8,369,812
Investment in securities purchased under resell agreements	999,103	7,189,533
Receivables—net	4,885,605	7,814,612
Discounted and loans—net	138,644,887	166,902,058
Available-for-sale financial assets—net	158,219	398,003
Investments under the equity method—net	16,766	17,184
Other financial assets—net	1,525,218	1,833,978
Premises and equipment—net	4,667,376	5,168,013
Intangible assets	915,240	1,185,480
Other assets	2,191,679	3,183,159
Total Assets	\$ 226,622,974	240,739,805
Liabilities and stockholders' equity		
Deposits from Central Bank and other banks	\$ 10,799,605	15,788,814
Financial liabilities measured at fair value through profit or loss	521,760	23,109
Liabilities for bills and bonds sold under repurchase agreements	100,000	73,101
Payables	2,862,081	4,097,162
Deposits and remittances	196,634,933	202,191,927
Financial debentures	7,000,000	7,000,000
Other financial liabilities	81,900	85,500
Other liabilities	293,143	1,017,788
Total Liabilities	218,293,422	230,277,401
Common stock	15,180,587	15,180,587
Accumulated deficit	(6,627,463)	(4,629,682)
Other items of stockholders' equity	(223,572)	(88,501)
Total stockholders' equity	8,329,552	10,462,404
Total liabilities and stockholders' equity	\$ 226,622,974	240,739,805

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

2. Condensed statements of income

	2008	2007
Net interest income	\$ 2,924,636	3,976,281
Non-interest income	1,542,283	1,972,017
Net Revenues	4,466,919	5,948,298
Bad debts expense -loan	5,113,162	4,944,922
Operating Expenses	3,506,003	4,083,791
Net loss before tax	\$ (4,152,246)	(3,080,415)
Net loss after tax	\$ (3,797,781)	(2,392,091)
EPS before tax (NT dollar)	\$ (2.79)	(2.30)
EPS after tax (NT dollar)	\$ (2.55)	1.79

Note : The EPS on 2007 was retroactively adjusted.

(b) Jih Sun Securities Co., Ltd.:

1. Condensed balance sheets

Assets	December 31, 2008	December 31, 2007
Current Assets	\$ 29,190,700	46,672,080
Fund and Investment	4,792,623	4,256,894
Premises and equipment	1,923,610	2,031,608
Intangible Assets	75,835	86,225
Other assets	1,471,082	1,579,672
Securities brokerage debit accounts - net	214,154	1,263,196
Total Assets	\$ 37,668,004	55,889,675
Liabilities and stockholders' equity		
Current liabilities	\$ 17,105,245	29,966,338
Long-term liabilities	1,338,114	5,195,959
Other liabilities	357,269	344,797
Total Liabilities	18,800,628	35,507,094
Stock	11,572,127	11,572,127
Capital Surplus	1,298,456	1,298,456
Retained earnings	6,090,429	7,536,382
Other items of stockholders' equity	(93,636)	(24,384)
Total stockholders' equity	18,867,376	20,382,581
Total liabilities and stockholders' equity	\$ 37,668,004	55,889,675

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

2. Condensed statements of income

	<u>2008</u>	<u>2007</u>
Net Revenues	\$ 5,693,497	9,434,836
Expenses	4,919,659	6,072,952
Net income before tax	<u>\$ 773,838</u>	<u>3,361,884</u>
Net income after tax	<u>\$ 415,475</u>	<u>2,663,231</u>
EPS before tax (NT dollar)	<u>\$ 0.67</u>	<u>2.91</u>
EPS after tax (NT dollar)	<u>\$ 0.36</u>	<u>2.30</u>

(c) Jih Sun Product Insurance Agent Co., Ltd:

1. Condensed balance sheets

	<u>December 31, 2008</u>	<u>December 31, 2007</u>
Assets		
Current Assets	\$ 9,086	7,247
Premises and equipment	110	191
Other assets	194	195
Total Assets	<u>\$ 9,390</u>	<u>7,633</u>
Liabilities and stockholders' equity		
Current liabilities	\$ 2,492	1,931
Total Liabilities	<u>2,492</u>	<u>1,931</u>
Stock	3,000	3,000
Retained earnings	3,898	2,702
Total stockholders' equity	<u>6,898</u>	<u>5,702</u>
Total liabilities and stockholders' equity	<u>\$ 9,390</u>	<u>7,633</u>

2. Condensed statements of income

	<u>2008</u>	<u>2007</u>
Operating Income	\$ 15,249	12,836
Cost of goods sold	9,368	8,027
Gross Profit	5,881	4,809
Operating expenses	2,494	2,904
Non-operating revenue and income	177	281
Non-operating expense and loss	3	-
Net income before tax	<u>\$ 3,561</u>	<u>2,186</u>
Net income after tax	<u>\$ 2,861</u>	<u>1,650</u>
EPS before tax (NT dollar)	<u>\$ 11.87</u>	<u>7.29</u>
EPS after tax (NT dollar)	<u>\$ 8.94</u>	<u>5.50</u>

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

(H) Profitability:

(a) Profitability of consolidated company

Unit: %

Item	December 31, 2008	December 31, 2007
Consolidated return on assets (Before income tax)	(1.34)	0.04
Consolidated return on assets (After income tax)	(1.36)	0.02
Consolidated return on equity (Before income tax)	(15.77)	0.51
Consolidated return on equity (After income tax)	(16.06)	0.28
Consolidated net income ratio	(46.84)	0.53

(b) Profitability of Financial Holding Company

Unit: %

Item	December 31, 2008	December 31, 2007
Return on assets (Before income tax)	(12.21)	0.20
Return on assets (After income tax)	(12.21)	0.20
Return on equity (Before income tax)	(16.09)	0.27
Return on equity (After income tax)	(16.09)	0.27
Net income ratio	(12,652.93)	21.88

(c) Profitability of Jih Sun Securities Co.

Unit: %

Item	December 31, 2008	December 31, 2007
Return on assets (Before income tax)	1.65	5.62
Return on assets (After income tax)	0.89	4.45
Return on equity (Before income tax)	3.94	17.17
Return on equity (After income tax)	2.12	13.60
Net income ratio	11.60	39.32

(d) Profitability of Jih Sun Bank Co. refer to note (10)(I)(f).

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

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

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

Note 4: Net income (loss) before/after tax represented accumulated income (loss) from January 1 of the current year to the end of the current period.

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

- (I) Supplementary disclosures of significant business information of the Company's subsidiary Jih Sun International Bank Ltd. included profitability, asset quality, management information, liquidity and sensitivity to market risk:

(a) Asset quality

Business/Project		December 31, 2008					
		Overdue loans	Total loan amount	Overdue loans rate	Allowance for bad debts	Coverage rate of allowance for bad debts	
Corporate finance	Guarantee	1,426,551	26,734,279	5.34%	338,022	23.70%	
	Non-Guarantee	1,146,137	31,247,804	3.67%	903,811	78.86%	
Consumer finance	Home mortgage	898,903	68,037,484	1.32%	161,449	17.96%	
	Cash card	-	-	-%	-	-%	
	Small credit loan	1,313,956	4,329,672	30.35%	203,348	15.48%	
	Other	Guarantee	151,057	6,345,642	2.38%	11,730	7.77%
		Non-Guarantee	716,375	3,977,599	18.01%	409,233	57.13%
Total Loan		5,652,979	140,672,480	4.02%	2,027,593	35.87%	
		Overdue accounts	Receivables	Overdue accounts rate	Allowance for bad debts	Coverage rate of allowance for bad debts	
Credit card		71,629	2,969,188	2.41%	41,833	58.40%	
Factoring receivables - without recourse		-	911,206	-%	-	-%	

Business/Project		December 31, 2007					
		Overdue loans	Total loan amount	Overdue loans rate	Allowance for bad debts	Coverage rate of allowance for bad debts	
Corporate finance	Guarantee	1,578,980	34,505,407	4.58%	278,102	17.61%	
	Non-Guarantee	1,253,556	41,592,552	3.01%	551,298	43.98%	
Consumer finance	Home mortgage	943,842	72,386,400	1.30%	165,442	17.53%	
	Cash card	-	-	-%	-	-%	
	Small credit loan	2,219,504	7,584,829	29.26%	295,243	13.30%	
	Other	Guarantee	281,663	6,599,235	4.27%	22,886	8.13%
		Non-Guarantee	1,257,161	6,230,075	20.18%	683,469	54.37%
Total Loan		7,534,706	168,898,498	4.46%	1,996,440	26.50%	
		Overdue accounts	Receivables	Overdue accounts rate	Allowance for bad debts	Coverage rate of allowance for bad debts	
Credit card		98,455	3,682,534	2.67%	51,363	52.17%	
Factoring receivables - without recourse		-	1,148,309	-%	-	-%	

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

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

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

(b) Concentrations of credit extensions information:

December 31,2008			
Ranking	Enterprise Group	Credit amount	Credit amount to stockholders' equity ratio(%)
1	FORMOSA PLASTICS	3,825,750	45.93%
2	KINPO GROUP	1,837,407	22.06%
3	CHI MEI	1,484,099	17.82%
4	ELENSET	1,409,434	16.92%
5	TAINAN SPINNING	1,222,923	14.69%
6	HAN SHIN	1,172,440	14.08%
7	TATUNG	1,003,315	12.05%
8	WALSIN	989,295	11.88%
9	WEI JING	895,261	10.75%
10	ORIX	831,464	9.98%

December 31,2007			
Ranking	Enterprise Group	Credit amount	Credit amount to stockholder's equity ratio(%)
1	FORMOSA PLASTICS	2,932,008	28.02%
2	KINPO GROUP	2,258,744	21.59%
3	ELENSET	1,614,002	15.43%
4	CHINATRUST FINANCIAL HOLDING	1,543,466	14.75%
5	ORIX	1,481,717	14.16%
6	TAINAN SPINNING	1,368,693	13.08%
7	TATUNG	1,313,032	12.55%
8	CHI MEI	1,283,771	12.27%
9	HAN SHIN	1,230,488	11.76%
10	YUNG CHIN CONSTRUCTION	1,214,392	11.61%

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

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

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

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

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

	December 31, 2008		December 31, 2007	
	Average amount	Average rate (%)	Average amount	Average rate (%)
Interest-earning assets	\$ 210,457,203	3.43	213,467,899	4.02
Interest-bearing liabilities	215,386,550	1.99	219,601,126	1.84

- (d) Interest rate sensitivity information

Sensitivity analysis of interest rate for assets and liabilities(NTD)					Unit: %
ITEM	1-90 days (Included)	91-180 days (Included)	181 days-1 year (Included)	Over 1 year	Total
Interest rate sensitive assets	\$ 170,323,496	3,110,665	3,962,689	15,426,203	192,823,053
Interest rate sensitive liabilities	82,038,743	58,134,479	47,220,178	11,781,109	199,174,509
Interest sensitivity gap	88,284,753	(55,023,814)	(43,257,489)	3,645,094	(6,351,456)
Net worth	-	-	-	8,020,332	8,020,332
Ratio of interest-rate-sensitive asset to interest rate sensitive liability					96.81
Ratio of interest rate sensitivity gap to net worth					(79.19)

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

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

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

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

Sensitivity analysis of interest rate for assets and liabilities(USD)					Unit: %
ITEM	1-90 days (Included)	91-180 days (Included)	181days-1 year (Included)	Over 1 year	Total
Interest rate sensitive assets	\$ 228,934	1,046	4,194	113,993	348,167
Interest rate sensitive liabilities	137,492	160,054	30,694	130	328,370
Interest sensitivity gap	91,442	(159,008)	(26,500)	113,863	19,797
Net worth	-	-	-	8,763	8,763
Ratio of interest-rate-sensitive asset to interest rate sensitive liability					106.03
Ratio of interest rate sensitivity gap to net worth					225.92

Note 1: Listed amounts of the head office, domestic, offshore banking unit and overseas branches (excluding contingent assets and liabilities) are denominated in U.S. dollars.

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

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

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

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

(e) Significant net positions in foreign currencies

<u>Foreign Currency Amount</u>	<u>2008</u>		<u>2007</u>	
	<u>Currency</u>	<u>NTD</u>	<u>Currency</u>	<u>NTD</u>
	1. USD	127,217	1. USD	(202,281)
	2. EUR	3,503	2. JPY	21,871
	3. HKD	(1,871)	3. EUR	(4,655)
	4. NZD	(1,868)	4. AUD	3,098
	4. AUD	804	5. SGD	1,004

(f) Profitability and the analysis of maturity periods of assets and liabilities:

1. Profitability:

Unit: %

<u>Item</u>	<u>2008</u>	<u>2007</u>
Return on assets (Before income tax)	(1.78)	(1.24)
Return on assets (After income tax)	(1.63)	(0.96)
Return on equity (Before income tax)	(44.19)	(27.36)
Return on equity (After income tax)	(40.42)	(21.24)
Net income ratio	(85.02)	(40.21)

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

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

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

Note 4: Net income (loss) before/after tax represented accumulated income (loss) from January 1 of the current year to the current period.

2. The analysis of maturity periods of assets and liabilities:

<u>Financial instrument</u>	<u>Total</u>	<u>NTD Maturity analysis</u>				
		<u>1-30 days</u>	<u>31-90 days</u>	<u>91-180 days</u>	<u>181 days-1 year</u>	<u>Over 1 year</u>
Assets	\$ 212,778,976	56,708,792	11,587,911	6,821,030	7,877,477	129,783,766
Liabilities	268,888,315	33,689,670	41,796,518	50,261,270	105,016,982	38,123,875
Gap-to-net	(56,109,339)	23,019,122	(30,208,607)	(43,440,240)	(97,139,505)	91,659,891

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

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

Financial instrument	USD Maturity analysis					
	Total	1-30 days	31-90 days	91-180 days	181 days-1 year	Over 1 year
Assets	\$ 388,269	166,413	18,477	7,366	4,590	191,423
Liabilities	417,303	179,418	84,435	45,526	53,547	54,377
Gap-to-net	(29,034)	(13,005)	(65,958)	(38,160)	(48,957)	137,046

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

Note2: If the overseas asset account for over 10% of total asset, it should provide supplementary disclosure of information.

(J) Special matters:

	Description and amount
Within one year, any fine was levied for violations of the Banking Law.	None
Within one year, any deficiency for which an official reprimand was issued by MOF.	None
Within one year, the individual or aggregated loss exceeded NT\$50 million dollars, resulted from employee corruption, accidental material events, or failure to follow the "Guidelines for the Security Maintenance of Financial Institutions".	None
Within one year, the chairman of the board of directors or employee who violated the law in the course of business, resulting in an indictment by the prosecutor.	None
Within one year, any fine was levied by governmental authority for violations of the related regulation.	None
Others	None

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

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

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

1. For the year ended December 31, 2008 and 2007, the Company paid security registration and service fee (including computer printing fee) to the Company's subsidiary Jih Sun Securities Co., Ltd. amounting to \$12,624 and \$14,706, respectively. As of December 31, 2008 and 2007, the Company's ending balance of bank deposit amounted to \$30,836 and \$2,498,319, respectively. For the year ended December 31, 2008 and 2007, the highest balance was amounting to \$5,311,019 and \$5,308,189, respectively, and interest revenue was amounting to \$19,145 and \$52,403, respectively.

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

	2008	2007
Handling charges – dealers	\$ 1,269	2,746
Rental revenue	18,482	17,421
Securities registration and service fee	720	660
Revenue from management fee allocated(Note)	131,192	163,687
Revenue from water and electricity expenses allocated	6,587	2,934
Financial expenses	78	1,669

Note : Refer to the management fee that Jih Sun Securities Co., Ltd. authorized Jih Sun International Bank, Ltd to deliver settlement money from customers, stock transfer and other related events.

3. The deposits for Jih Sun International Bank Ltd. to rent operation place from Jih Sun Securities Co., Ltd. were as follows:

	2008	2007
Guarantee deposits	\$ 4,125	4,042

4. For the year ended December 31, 2008 and 2007, Jih Sun Securities Co., Ltd.'s ending balance of repurchase agreement/ resale agreement of bonds and related interest expense and income with related parties were as follows:

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

Liabilities of bonds with repurchase agreements:

	<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 Ltd.	\$ 3,962	-	3,253	493,219
Jih Sun Securities Investment Trust CO., Ltd.	942	-	-	-
	<u>\$ 4,904</u>	<u>-</u>	<u>3,253</u>	<u>493,219</u>

Investment of bonds with resale agreements:

	<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 Ltd.	\$ 234	-	5,708	-

5. As of December 31, 2008 and 2007, Jih Sun Securities Co., Ltd.'s ending balance of bank deposit amounted to \$6,148,607 and \$1,657,316, respectively. For the year ended December 31, 2008 and 2007, the highest balance was amounting to \$14,031,222 and \$6,671,282, respectively, and interest revenue was amounting to \$36,151 and \$10,853, respectively.
6. As of December 31, 2008 and 2007, Jih Sun International Bank Ltd.'s board of directors resolved the limit line of guarantee loans amounting to \$900 million and \$1.1 billion, respectively. As of December 31, 2008 and 2007, Jih Sun Securities Co., Ltd.'s balance of borrowing from Jih Sun International Bank Ltd. amounted to \$0 and \$460,000, respectively. As of December 31, 2007, Jih Sun Securities Co., Ltd. pledged securities and time deposits amounting to \$735,572.
7. Jih Sun International Bank ,Ltd. charged to Jih Sun Securities Co., Ltd.:

	<u>2008</u>	<u>2007</u>
Rental revenue	<u>\$ 10,078</u>	<u>8,036</u>

8. For the year ended December 31, 2008 and 2007, Jih Sun International Bank Ltd. sold a batch of equipment to the Company amounting to \$13 and \$5, respectively, the costs of property were amounting to \$29 and \$11, respectively, and the losses of disposal were amounting to \$16 and \$6, respectively.
9. For the year ended December 31, 2008 and 2007, Jih Sun International Bank Ltd. sold a batch of equipment to the Securities amounting to \$19 and \$1,678, respectively, the costs of equipment were amounting to \$16 and \$2,966, respectively, and the gain and loss of disposal were amounting to \$3 and \$1,288, respectively.

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

10. For the year ended December 31, 2008, Jih Sun International Bank Ltd. sold the securities of Taiwan Futures Exchange to the Securities amounting to \$178,550, the costs of property were amounting to \$37,917, and the gain of disposal was amounting to \$140,633.
11. For the year ended December 31, 2008, the Company sold a batch of equipment to the Securities amounting to \$531, the costs of equipment were amounting to \$531, and the gain and loss of disposal was amounting to \$0.
12. For the year ended December 31, 2008, Jih Sun International Bank Ltd. sold the available-for-sale bonds to the Securities amounting to \$1,865,456.
13. The Securities charged to the Jih Sun Securities Investment Trust Co., Ltd:

	2008	2007
Securities registration and service fee	\$ 240	-
Utilities expense (collections and payment transfer)	2,001	-
Total	\$ 2,241	-

(b) The ways of the subsidiaries allocated management fee were as follows:

1. Based on securities account (monthly average balance – 100,000 thousand)*0.0006 =accrued management fee.
2. Paid with fixed amount.

(11) DISCLOSURE REQUIRED

(A) Related information of significant transactions :

1. Cumulative purchase or sales of the same investee's capital stock up to \$300 million dollars or 10% of outstanding capital:

In Thousands of New Taiwan Dollar/
Thousands of shares

Acquisition by	Name of property	Account name	Counterparty	Relationship	Beginning balance (Note)		Addition		Reduction			Ending balance		
					shares	Amount	shares	Amount	shares	selling price	Book value	Disposal gain or loss	shares	Amount
The Company	The Bank	Long-term Investment	-	-	1,518,059	10,462,405	-	(2,273,486)	-	-	-	-	1,518,059	8,188,919
							(Note2)	(Note1)						

Note 1: Including the cost of investment amounting to \$1,800,000, investment loss under equity method amounting to \$3,797,782, unrealized gain on disposal of Taiwan Futures Exchange stock amounting to \$140,633, and unrealized loss on recognition of available-for-sale financial assets amounting to \$135,071.

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

Note 2: The Company's subsidiary Jih Sun International, Ltd. decreased capital to offset the deficit of \$1,800,000 resulting in decreasing 180,000 thousand shares, thereafter, the Company's subsidiary Jih Sun International, Ltd. increased capital of \$ 1,800,000 by cash resulting increasing 180,000 thousand shares.

2. Acquisition of real estate up to \$300 million dollars or 10% of outstanding capital: None.
3. Disposal of real estate up to \$300 million or 10% of outstanding capital: None.
4. Discount of commission fees for transaction with related parties up to \$5 million: None.
5. Receivables from related parties up to \$300 million or 10% of outstanding capital: For more information please refer to Notes 4(W)(j).
6. Information on NPL disposal transaction:

(1) Summary table of NPL disposal:

Unit: thousands of NTD

Trade date	Counterparty	Debt component	Book value	Sale price	Gains (losses)	Additional term	Relationship
2008.06.25	Chong Shin developer Co. Ltd.	Stock	-	52,000	52,000	None	None

- (2) Disposal of one single batch of NPL up to \$1,000 million (excluding sales to related parties) and information on each transaction: none.
7. The information about the Company's subsidiaries applied for approval to issue securitization instruments in compliance with the financial asset securitization rule and the real estate securitization rule: For more information please refer to Note 4(AA).
8. Other significant transactions that may have substantial influence upon the decision made by financial statements users: None.

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

(B) Related information of investee companies:

1. Names, locations, and relevant information of investees upon which The Company's subsidiary Jih Sun International, Ltd. exercises significant influence:

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

Investor company	Investee company	Address	Major business	Ownership %	Book value	Investment gain or loss	Held by the company and subsidiaries				Note
							Shares	Proforma shares	Total		
									Shares	%	
The Company	Jih Sun Securities Co., Ltd.	F3, No.111, Sec.2, Nan King E. Rd., Taipei	Brokerage, underwriting, proprietary trading	100.00	18,867,377	387,861	1,157,212,760	-	1,157,212,760	100.00	Subsidiaries
"	Jih Sun International Commercial Bank Co., Ltd.	F1, No.10, Sec.1, Chung Ching S. Rd., Taipei	Deposits and loans, temporary receipt, investment of government bonds, short-term bills/ notes, and financial debentures	100.00	8,188,919	(3,938,414)	1,518,058,708	-	1,518,058,708	100.00	
"	Jih Sun International Insurance Agency Co., Ltd.	F8, No.139, Sec.2, Nan King E. Rd., Taipei	Property insurance agency	100.00	6,898	2,679	300,000	-	300,000	100.00	
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	98.14	1,233,231	231,222	68,696,435	-	68,696,435	98.14	Subsidiaries of Jih Sun Securities Co., Ltd.
"	Jih Sun International Investment Holding Co., Ltd.	Scotia Centre, 4th Floor, P.O. Box 2804, George Town, Grand Cayman, Cayman Islands	1.Securities brokerage and proprietary trading 2.Underwriting 3.Securities research & analysis 4.Corporate & individual financial planning 5.financial business 6.Investment trust 7.Futures 8.Holding company to recognize the profit & loss on investment	100.00	1,703,647	50,966	54,600,000	-	54,600,000	100.00	
"	Jih Sun Securities Investment Consulting Co., Ltd.	F7, No.111, Sec.2, Nan King E. Rd., Taipei	Provide advisory and consulting related with securities investment on a consigned basis	100.00	63,704	352	10,000,000	-	10,000,000	100.00	
"	Jin Sun Managed Futures Co., Ltd.	F12, No.111, Sec.2, Nan King E. Rd., Taipei	Futures brokerage and dealing	100.00	162,513	(5,331)	20,000,000	-	20,000,000	100.00	"
"	Jih Sun Securities Investment Trust Corp.	F12, No.111, Sec.2, Nan King E. Rd., Taipei	Securities investment trust business and discretionary investment business	20.00	223,536	23,077	7,800,000	-	7,800,000	20.00	invested company
Jih Sun International Bank Ltd.	Jih Sun Life Insurance Agency Co., Ltd.	F8, No.139, Sec.2, Nan King E. Rd., Taipei	Life insurance agency	99.00	16,766	3,041	297,000	-	297,000	99.00	Subsidiaries of Jih Sun International Bank Ltd.
Js International Investment Holding Co. Ltd.	JS Cresvale Securities International Ltd.	Rm23,E1B Centre,40-44 Bonham Strand East,Sheung Wan,HK	Brokerage, underwriting, proprietary trading	100.00	USD 33,523	USD 4,562	293,000,000	-	293,000,000	100.00	

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

Investor company	Investee company	Address	Major business	Ownership %	Book value	Investment gain or loss	Held by the company and subsidiaries				Note
							Shares	Proforma shares	Total		
									Shares	Ownership %	
Js International Investment Holding Co. Ltd.	Jih Sun Financial Services (Cayman) Ltd.	Scotia Centre, 4th Floor, P.O. Box 2804, George Town, Grand Cayman, Cayman Islands	Securities, financial investment consulting	100.00	USD 16,397	USD (2,891)	18,050,000	-	18,050,000	100.00	
	Jih Sun Capital Management Ltd.	P.O. Box 146, Road Town, Tortola, British Virgin Islands	Fund and asset management and consulting	100.00	USD 1,520	USD (64)	100,000	-	100,000	100.00	Subsidiaries of Jih Sun Securities Co., Ltd. consolidated
JS Cresvale Securities International Ltd.	JS Cresvale Financing Limited.	Rm23,E1B Centre,40-44 Bonham Strand East,Sheung Wan,HK	Stock brokerage, futures brokerage and sales of mutual funds	100.00	HKD 21,102	HKD 167	2,000,000	-	2,000,000	100.00	

Note: Long-term investment under equity method and stockholders' equities of the investee company were write-off.

2. Loans to others or individuals: not applicable to financing and securities subsidiaries; others: none.
3. Endorsement and guarantees for others: not applicable to financing and securities subsidiaries; other: none.
4. Marketable securities held as of December 31, 2008: not applicable to financing and securities subsidiaries; other: none.
5. Cumulative purchases or sales of the same investee's capital stock up to \$300,000 or 10% of paid-capital: none.
6. Acquisition of real estate up to \$300,000 or 10% of paid-in capital: none.

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

7. Disposal of real estate up to \$300,000 or 10% of paid-in capital:

(In Thousands of New Taiwan Dollars)

Disposing by	Name of property	Transaction date	Acquisition date	Book value	Transaction amount	Receive status	Gain and loss on disposal	Counter-party	Relationship	Purpose of disposal	Reference of disposal price	Other matter
Jih Sun International Bank Ltd.	Land (recorded as Collateral assumed)	2008.03.07	2004.02.10	246,563	320,000	320,000	73,437	LU LI MIN	Non-Related	Activation property	Professional estimate	None
	Building	2008.04.02	2004.05.31	158,429	301,000	301,000	142,571	HUEI JI Investment Co., Ltd.	"	"	"	None

8. Discount of commission fees for transaction with related parties up to \$5,000: none.
9. Receivables from related parties up to \$300,000 or 10% of paid-in capital: The Company's subsidiary Jih Sun International Bank Ltd. receivable from the Company resulting from tax incentives was \$744,760.
10. Financial derivative transactions: for further information, please refer to Note 4(Z).
11. Information on NPL disposal transaction: for further information, please refer to Note (11) (A) 6.
12. Types of securitization instruments approved to be issued pursuant to financial assets securitization rules or real estate securitization rules and other relevant information: for further information, please refer to Note 4(AA).
13. Other significant transactions that may have substantial influence upon the decisions made by financial statements users: none.

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

14. 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 subsidiary Jih Sun Securities Co., Ltd.'s investment in foreign enterprises of British Virgin Islands for the year ended December 31, 2008, were as follows:

- (1) Concise Balance Sheet and Income Statement :

A. Balance Sheet

Unit: : U.S. dollars

Items	Company	Jih Sun International Investment Holding Company Limited	Jih Sun Services (Cayman) Limited.	Jih Sun Capital Management Limited
Current assets		\$ 501,147	28,288,834	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

B. Income Statement

Unit: : U.S. dollars

Items	Company	Jih Sun International Investment Holding Company Limited	Jih Sun Services (CAYMAN) Limited.	Jih Sun Capital Management Limited
Operating Income		\$ 1,607,246	3,317,023	-
Operating Expenses		(3,852)	(5,308,591)	(95,159)
Non-operating Income		12,840	-	31,745
Non-operating expense		-	(899,341)	(550)
Net Income(Loss) Before Taxes		1,616,234	(2,890,909)	(63,964)
Net Income(Loss) After Taxes		1,616,234	(2,890,909)	(63,964)

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

(2) Marketable securities held as of December 31, 2008:

Unit: Shares; U.S. dollars

Name of company holding securities	Marketable Securities type and name	Account	2008.12.31	
			Shares	Amount
Jih Sun International 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
	Subtotal			8,599
Total			\$ 22,401,345	

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

Financial instrument transaction and the origin of capital source are disclosed in note 11(B) 14(2), 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 and 2007.

(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 and 2007.

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

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

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

For the Year Ended December 31,2008							
No	Party	Counterparty	Relationship with party	Transactions			percentage of consolidated operating revenue or consolidated total assets
				Account	Amount	Terms	
1	Jih Sun International Bank Ltd.	Jih Sun Securities Co., Ltd.	3	Other revenues	10,078	The same terms as for comparable transactions with third-party counterparties	0.12%
2	Jih Sun Securities Co., Ltd.	Jih Sun International Bank Ltd.	3	Other administration expense	10,078	"	0.12%
2	Jih Sun Securities Co., Ltd.	Jih Sun International Bank Ltd.	3	Deposits in	4,125	"	-
1	Jih Sun International Bank Ltd.	Jih Sun Securities Co., Ltd.	3	Refundable deposits	4,125	"	-
1	Jih Sun Securities Co., Ltd.	Jih Sun International Bank Ltd.	3	Non-operating revenue	131,192	"	1.62%
1	Jih Sun International Bank Ltd.	Jih Sun Securities Co., Ltd.	3	Other administration expense	131,192	"	1.62%
1	Jih Sun International Bank Ltd.	Jih Sun Securities Co., Ltd.	3	Non-operating revenue	107	"	-
2	Jih Sun Securities Co., Ltd.	Jih Sun International Bank Ltd.	3	Other administration expense	107	"	-
2	Jih Sun Securities Co., Ltd.	Jih Sun International Bank Ltd.	3	Securities brokerage commissions	1,269	"	0.02%
1	Jih Sun International Bank Ltd.	Jih Sun Securities Co., Ltd.	3	Handling charge	1,269	"	0.02%
2	Jih Sun Securities Co., Ltd.	Jih Sun International Bank Ltd.	3	Interest expense	4,196	"	0.05%
1	Jih Sun International Bank Ltd.	Jih Sun Securities Co., Ltd.	3	Interest income	4,196	"	0.05%
2	Jih Sun Securities Co., Ltd.	Jih Sun International Bank Ltd.	3	Securities registration and service fee	720	"	0.01%
1	Jih Sun International Bank Ltd.	Jih Sun Securities Co., Ltd.	3	Other administration expense	720	"	0.01%
2	Jih Sun Securities Co., Ltd.	Jih Sun International Bank Ltd.	3	Interest expense	32,799	"	0.41%
1	Jih Sun International Bank Ltd.	Jih Sun Securities Co., Ltd.	3	Interest income	32,799	"	0.41%
1	Jih Sun International Bank Ltd.	Jih Sun Securities Co., Ltd.	3	Deposit and remittance	6,194,275	"	2.39%
2	Jih Sun Securities Co., Ltd.	Jih Sun International Bank Ltd.	3	Cash in bank	6,148,607	"	2.37%
2	Jih Sun Securities Co., Ltd.	Jih Sun International Bank Ltd.	3	Operating deposit	10,000	"	-
2	Jih Sun Securities Co., Ltd.	Jih Sun International Bank Ltd.	3	Refundable deposits	35,688	"	0.01%
2	Jih Sun Securities Co., Ltd.	Jih Sun Financial Holding Co., Ltd.	2	Securities registration and service fee	12,624	"	0.16%
0	Jih Sun Financial Holding Co., Ltd.	Jih Sun Securities Co., Ltd.	1	Other administration expense	12,624	"	0.16%

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

For the Year Ended December 31, 2008							
No	Party	Counterparty	Relationship with party	Transactions			percentage of consolidated operating revenue or consolidated total assets
				Account	Amount	Terms	
1	Jih Sun International Bank Ltd.	Jih Sun Financial Holding Co., Ltd.	2	Deposit and remittance	30,836	The same terms as for comparable transactions with third-party counterparties	0.01%
0	Jih Sun Financial Holding Co., Ltd.	Jih Sun International Bank Ltd.	1	Cash in bank	30,836	"	0.01%
2	Jih Sun Securities Co., Ltd.	Jih Sun International Insurance Agency Co. Ltd.	3	Other receivable	64	"	-
3	Jih Sun International Insurance Agency Co. Ltd.	Jih Sun Securities Co., Ltd.	3	Expense payable	64	"	-
0	Jih Sun Financial Holding Co., Ltd.	Jih Sun International Bank Ltd.	1	Interest revenue	19,145	"	0.24%
1	Jih Sun International Bank Ltd.	Jih Sun Financial Holding Co., Ltd.	2	Interest expense	19,145	"	0.24%
0	Jih Sun Financial Holding Co., Ltd.	Jih Sun International Bank Ltd.	1	Other payable	744,760	"	0.29%
1	Jih Sun International Bank Ltd.	Jih Sun Financial Holding Co., Ltd.	2	Other receivable	744,760	"	0.29%
0	Jih Sun Financial Holding Co., Ltd.	Jih Sun Securities Co., Ltd.	1	Other receivable	159,222	"	0.06%
2	Jih Sun Securities Co., Ltd.	Jih Sun Financial Holding Co., Ltd.	2	Other payable	159,222	"	0.06%
1	Jih Sun International Bank Ltd.	Jih Sun Securities Co., Ltd.	3	Interests payable	5,137	"	-
2	Jih Sun Securities Co., Ltd.	Jih Sun International Bank Ltd.	3	Other receivable	5,137	"	-
1	Jih Sun International Bank Ltd.	Jih Sun Securities Co., Ltd.	3	Other Payables	9,733	"	-
2	Jih Sun Securities Co., Ltd.	Jih Sun International Bank Ltd.	3	Other receivable	9,733	"	-
1	Jih Sun International Bank Ltd.	Jih Sun International Insurance Agency Co. Ltd.	3	Non-operating revenue	8,031	"	0.10%
3	Jih Sun International Insurance Agency Co. Ltd.	Jih Sun International Bank Ltd.	3	Commission expense	8,031	"	0.10%
2	Jih Sun Securities Co., Ltd.	Jih Sun International Insurance Agency Co. Ltd.	3	Non-operating revenue	1,465	"	0.02%
3	Jih Sun International Insurance Agency Co. Ltd.	Jih Sun Securities Co., Ltd.	3	Commission expense	1,465	"	0.02%
1	Jih Sun International Bank Ltd.	Jih Sun International Insurance Agency Co. Ltd.	3	Other receivable	969	"	-
3	Jih Sun International Insurance Agency Co. Ltd.	Jih Sun International Bank Ltd.	3	Expense payable	969	"	-
1	Jih Sun International Bank Ltd.	Jih Sun International Insurance Agency Co. Ltd.	3	Deposit and remittance	8,057	"	-

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

For the Year Ended December 31,2008							
No	Party	Counterparty	Relationship with party	Transactions			percentage of consolidated operating revenue or consolidated total assets
				Account	Amount	Terms	
3	Jih Sun International Insurance Agency Co. Ltd.	Jih Sun International Bank Ltd.	3	Cash in bank	8,057	The same terms as for comparable transactions with third-party counterparties	-
3	Jih Sun International Insurance Agency Co. Ltd.	Jih Sun International Bank Ltd.	3	Interest income	12	"	-
1	Jih Sun International Bank Ltd.	Jih Sun International Insurance Agency Co. Ltd.	3	Interest expense	12	"	-
2	Jih Sun Securities Co., Ltd.	Jih Sun International Bank Ltd.	3	Other revenues	18,482	"	0.23%
1	Jih Sun International Bank Ltd.	Jih Sun Securities Co., Ltd.	3	Other administration expense	18,482	"	0.23%
2	Jih Sun Securities Co., Ltd.	Jih Sun International Bank Ltd.	3	Available-for-sale financial assets	140,633	"	0.05%
1	Jih Sun International Bank Ltd.	Jih Sun Securities Co., Ltd.	3	Gain on disposal of financial assets carried at cost	140,633	"	1.74%

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

For the Year Ended December 31,2007							
No	Party	Counterparty	Relationship with party	Transactions			Percentage of consolidated operating revenue or consolidated total assets
				Account	Amount	Terms	
1	Jih Sun International Bank Ltd.	Jih Sun Securities Co., Ltd.	3	Other revenues	90	The same terms as for comparable transactions with third-party counterparties	-
2	Jih Sun Securities Co., Ltd.	Jih Sun International Bank Ltd.	3	Other administration expense	90	"	-
2	Jih Sun Securities Co., Ltd.	Jih Sun International Bank Ltd.	3	Deposits in	4,042	"	-
1	Jih Sun International Bank Ltd.	Jih Sun Securities Co., Ltd.	3	Refundable deposits	4,042	"	-
1	Jih Sun Securities Co., Ltd.	Jih Sun International Bank Ltd.	3	Non-operating revenue	8,036	"	0.06%
1	Jih Sun International Bank Ltd.	Jih Sun Securities Co., Ltd.	3	Other administration expense	8,036	"	0.06%
1	Jih Sun International Bank Ltd.	Jih Sun Securities Co., Ltd.	3	Non-operating revenue	17,421	"	0.13%
2	Jih Sun Securities Co., Ltd.	Jih Sun International Bank Ltd.	3	Other administration expense	17,421	"	0.13%
2	Jih Sun Securities Co., Ltd.	Jih Sun International Bank Ltd.	3	Securities brokerage commissions	2,746	"	0.02%
1	Jih Sun International Bank Ltd.	Jih Sun Securities Co., Ltd.	3	Handling charge	2,746	"	0.02%
2	Jih Sun Securities Co., Ltd.	Jih Sun International Bank Ltd.	3	Interest expense	12,144	"	0.09%
1	Jih Sun International Bank Ltd.	Jih Sun Securities Co., Ltd.	3	Interest income	12,144	"	0.09%
2	Jih Sun Securities Co., Ltd.	Jih Sun International Bank Ltd.	3	Securities registration and service fee	660	"	0.01%
1	Jih Sun International Bank Ltd.	Jih Sun Securities Co., Ltd.	3	Other administration expense	660	"	0.01%
2	Jih Sun Securities Co., Ltd.	Jih Sun International Bank Ltd.	3	Interest expense	10,853	"	0.08%
1	Jih Sun International Bank Ltd.	Jih Sun Securities Co., Ltd.	3	Interest income	10,853	"	0.08%
1	Jih Sun International Bank Ltd.	Jih Sun Securities Co., Ltd.	3	Deposit and remittance	1,701,477	"	0.57%
2	Jih Sun Securities Co., Ltd.	Jih Sun International Bank Ltd.	3	Cash in bank	1,657,316	"	0.56%
2	Jih Sun Securities Co., Ltd.	Jih Sun International Bank Ltd.	3	Operating deposit	10,000	"	-
2	Jih Sun Securities Co., Ltd.	Jih Sun International Bank Ltd.	3	Refundable deposits	34,161	"	0.01%
2	Jih Sun Securities Co., Ltd.	Jih Sun International Bank Ltd.	3	Short-term debt	460,000	"	0.15%
1	Jih Sun International Bank Ltd.	Jih Sun Securities Co., Ltd.	3	Loan	460,000	"	0.15%
2	Jih Sun Securities Co., Ltd.	Jih Sun Financial Holding Co., Ltd.	2	Securities registration and service fee	14,706	"	0.11%
0	Jih Sun Financial Holding Co., Ltd.	Jih Sun Securities Co., Ltd.	1	Other administration expense	14,706	"	0.11%

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

For the Year Ended December 31, 2007							
No	Party	Counterparty	Relationship with party	Transactions			Percentage of consolidated operating revenue or consolidated total assets
				Account	Amount	Terms	
2	Jih Sun Securities Co., Ltd.	Jih Sun Financial Holding Co., Ltd.	2	Accounts receivable	540	The same terms as for comparable transactions with third-party counterparties	-
0	Jih Sun Financial Holding Co., Ltd.	Jih Sun Securities Co., Ltd.	1	Other payable	540	"	-
1	Jih Sun International Bank Ltd.	Jih Sun Financial Holding Co., Ltd.	2	Deposit and remittance	2,498,319	"	0.84%
0	Jih Sun Financial Holding Co., Ltd.	Jih Sun International Bank Ltd.	1	Cash in bank	2,498,319	"	0.84%
0	Jih Sun Financial Holding Co., Ltd.	Jih Sun International Bank Ltd.	1	Interests payable	1,638	"	-
1	Jih Sun International Bank Ltd.	Jih Sun Financial Holding Co., Ltd.	2	Other receivable	1,638	"	-
0	Jih Sun Financial Holding Co., Ltd.	Jih Sun International Bank Ltd.	1	Interest revenue	52,403	"	0.40%
1	Jih Sun International Bank Ltd.	Jih Sun Financial Holding Co., Ltd.	2	Interest expense	52,403	"	0.40%
0	Jih Sun Financial Holding Co., Ltd.	Jih Sun International Bank Ltd.	1	Other payable	941,656	"	0.32%
1	Jih Sun International Bank Ltd.	Jih Sun Financial Holding Co., Ltd.	2	Other receivable	941,656	"	0.32%
0	Jih Sun Financial Holding Co., Ltd.	Jih Sun Securities Co., Ltd.	1	Other payable	622,833	"	0.21%
2	Jih Sun Securities Co., Ltd.	Jih Sun Financial Holding Co., Ltd.	2	Other receivable	622,833	"	0.21%
1	Jih Sun International Bank Ltd.	Jih Sun Securities Co., Ltd.	3	Liability of bonds with repurchase agreement	493,001	"	0.17%
2	Jih Sun Securities Co., Ltd.	Jih Sun International Bank Ltd.	3	Investment of redeemable bonds	493,001	"	0.17%
1	Jih Sun International Bank Ltd.	Jih Sun Securities Co., Ltd.	3	Interests payable	263	"	-
2	Jih Sun Securities Co., Ltd.	Jih Sun International Bank Ltd.	3	Other receivable	263	"	-
1	Jih Sun International Bank Ltd.	Jih Sun Securities Co., Ltd.	3	Other Payables	11,976	"	-
2	Jih Sun Securities Co., Ltd.	Jih Sun International Bank Ltd.	3	Other receivable	11,976	"	-
1	Jih Sun International Bank Ltd.	Jih Sun International Insurance Agency Co. Ltd.	3	Non-operating revenue	6,209	"	0.05%
3	Jih Sun International Insurance Agency Co. Ltd.	Jih Sun International Bank Ltd.	3	Commission expense	6,209	"	0.05%
2	Jih Sun Securities Co., Ltd.	Jih Sun International Insurance Agency Co. Ltd.	3	Non-operating revenue	437	"	-
3	Jih Sun International Insurance Agency Co. Ltd.	Jih Sun Securities Co., Ltd.	3	Commission expense	437	"	-
1	Jih Sun International Bank Ltd.	Jih Sun International Insurance Agency Co. Ltd.	3	Other receivable	408	"	-

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

For the Year Ended December 31,2007							
No	Party	Counterparty	Relationship with party	Transactions			Percentage of consolidated operating revenue or consolidated total assets
				Account	Amount	Terms	
3	Jih Sun International Insurance Agency Co. Ltd.	Jih Sun International Bank Ltd.	3	Expense payable	408	The same terms as for comparable transactions with third-party counterparties	-
2	Jih Sun Securities Co., Ltd.	Jih Sun International Insurance Agency Co. Ltd.	3	Other payables	16	"	-
3	Jih Sun International Insurance Agency Co. Ltd.	Jih Sun Securities Co., Ltd.	3	Other receivable	16	"	-
1	Jih Sun International Bank Ltd.	Jih Sun International Insurance Agency Co. Ltd.	3	Deposit and remittance	6,095	"	-
3	Jih Sun International Insurance Agency Co. Ltd.	Jih Sun International Bank Ltd.	3	Cash in bank	6,095	"	-
3	Jih Sun International Insurance Agency Co. Ltd.	Jih Sun International Bank Ltd.	3	Interest income	17	"	-
1	Jih Sun International Bank Ltd.	Jih Sun International Insurance Agency Co. Ltd.	3	Interest expense	17	"	-
2	Jih Sun Securities Co., Ltd.	Jih Sun International Bank Ltd.	3	Other revenues	163,687	"	1.26%
1	Jih Sun International Bank Ltd.	Jih Sun Securities Co., Ltd.	3	Other administration expense	163,687	"	1.26%

Note 1: Serial number is determined as follows:

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

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

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

(12) Segment information: Refer to Note 10(E).