(English Translation of Financial Report Originally Issued In Chinese)

JIH SUN SECURITIES CO., LTD.
FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
AND
INDEPENDENT AUDITORS' REPORT

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

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(English Translation)

JIH SUN SECURITIES CO., LTD.

FINANCIAL STATEMENTS

Table of Contents

Contents	Page

(English Translation)
Independent Auditors' Report

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

We have audited the accompanying balance sheets of Jih Sun Securities Co., Ltd. as of December 31, 2012 and 2011 and the related statements of income, changes in stockholders' equity, and cash flows for the years 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 have conducted our audits in accordance with auditing standards generally accepted in the Republic of China and under the Rules Governing Auditing and Certification of Financial Statements of Financial Institutions by Certified Public Accountants. We were required to plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement under those standards. Our audit work includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. The assessments of the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation were also included in our audit. 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 Securities Co., Ltd. as of December 31, 2012 and 2011, and the results of its operations and its cash flows for the the years ended, in conformity with the "Regulations Governing the Preparation of Financial Reports by Securities Firms," the "Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants" and the related financial accounting standards of the accounting principles generally accepted in the Republic of China.

Consolidated financial statements as of December 31, 2012 and 2011 were additionally prepared by Jih Sun Securities Co., Ltd, and we have expressed an unqualified opinion.

KPMG
March 20, 2013
Taipei, Taiwan, R.O.C.

Note 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.

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

(English Translation of Financial Report Originally Issued in Chinese)

JIH SUN SECURITIES CO., LTD.
BALANCE SHEETS
DECEMBER 31, 2012 AND 2011
(Expressed in Thousands of New Taiwan Dollars)

	DECEMBER 31,			
	2012		2011	
ASSETS	Amount	%	Amount	%
CURRENT ASSETS				
Cash and Cash Equivalents (Notes 2(E), 4(A) and 5(B))	$ 6,939,247	18	6,041,952	17
Financial Assets Measured at Fair Value through Profit or Loss - Current (Notes 2(F), 4 (B) (Q) and 5(B))	11,346,697	30	7,545,408	21
Bond Investments under Resale Agreements (Notes 2(H) and 4(C))	-	-	305,178	1
Margin Loans Receivable (Note 2(I))	10,553,941	27	11,626,287	33
Refinancing Margin (Note 2(I))	7,078	-	38,532	-
Refinancing Collateral Receivable (Note 2(I))	8,293	-	33,700	-
Security Borrowing Collateral Price	184,535	-	233,600	1
Security Borrowing Margin	254,169	1	207,851	1
Notes Receivable (Note 2(J))	483	-	884	-
Accounts Receivable (Note 2(J))	728,122	2	746,716	2
Accounts Receivable - Related Parties (Note 5(B))	7,080	-	8,532	-
Prepayments	16,801	-	13,721	-
Other Receivables (Note 5(B))	62,385	-	56,818	-
Restricted Assets - Current (Notes 6)	1,010,318	3	512,795	1
Available-for-Sale Financial Assets - Current (Notes 2(G) and 4(D) (Q))	-	-	199,159	1
	31,119,149	81	27,571,133	78
FUNDS AND LONG-TERM INVESTMENTS				
Stock Investments Measured by Equity Method (Notes 2(K) and 4(E))	3,036,635	8	3,184,567	9
Available-for-Sale Financial Assets - Non-current (Notes 2(G), 4(E) and 6)	1,229,230	3	1,255,440	4
	4,265,865	11	4,440,007	13
Fixed Assets (Notes 2(L), 4(F) and 6)				
Land	1,271,212	3	1,271,212	4
Buildings	586,037	2	586,037	2
Machinery and Equipment	953,791	2	881,436	2
Prepayment for Equipment	2,690	-	19,502	-
Leasehold Improvements	329,760	1	345,176	1
	3,143,490	8	3,103,363	9
Less: Accumulated Depreciation	1,285,837	3	1,275,318	4
	1,857,653	5	1,828,045	5
INTANGIBLE ASSETS				
Other Intangible Assets (Note 2(M))	39,557	-	25,238	-
OTHER ASSETS				
Operation Guaranteed Deposits	815,000	2	815,000	2
Clearing and Settlement Fund	248,526	1	411,760	1
Other Assets - Refundable Deposits (Notes 5(B), 6 and 7)	129,985	-	132,448	-
Deferred Debits	17	-	35	-
Deferred Income Tax Assets-Non-Current (Notes 2(Q) and 4(O))	4,510	-	13,240	-
Cash and Cash Equivalents - Receipts under Custody from Exercise of Warrant	7	-	7	-
Cash and Cash Equivalents - Receipts under Custody from Customers' Security Subscription	7	-	7	-
	1,198,052	3	1,372,497	3
Debit Items for Trade Brokerage (Note 4(K))	33,430	-	306,562	1
TOTAL ASSETS	**$ 38,513,706**	**100**	**35,543,482**	**100**

	DECEMBER 31,			
	2012		2011	
LIABILITIES AND STOCKHOLDER'S EQUITY	Amount	%	Amount	%
CURRENT LIABILITIES				
Liabilities for Bonds with Attached Repurchase Agreements (Notes 2(H), 4(G) and 5(B))	$ 9,618,514	25	7,227,458	20
Financial Liabilities Measured at Fair Value through Profit or Loss - Current (Notes 2(F) (N) and 4 (H) (Q))	576,971	2	438,082	1
Securities Financing Refundable Deposits (Note 2(I))	1,664,626	5	1,827,240	5
Deposits Payable for Securities Financing (Note 2(I))	1,982,838	5	2,097,644	6
Securities Lending Refundable Deposits	807,813	2	553,040	2
Accounts Payable	441,329	1	170,850	1
Amounts Received in Advance	28,897	-	10,422	-
Receipts under Custody	28,967	-	32,621	-
Other Payable (Notes 2(Q), 4(O) and 5(B))	1,126,077	3	1,320,230	4
Long-Term Liability - Current Portion(Note 4(I) and 6)	1,497,570	4	-	-
	17,773,602	47	13,677,587	39
LONG-TERM LIABILITIES				
Long-Term Borrowings (Note 4(I))	-	-	1,497,029	4
	-	-	1,497,029	4
OTHER LIABILITIES				
Other Liabilities - Refundable Deposits (Note 5(B))	6,965	-	8,070	-
Accrued Pension Liabilities - Non-current (Notes 2(O) and 4 (L))	109,110	-	141,749	-
Other Liabilities - Others (Note 4(J))	28,870	-	28,870	-
	144,945	-	178,689	-
TOTAL LIABILITIES	17,918,547	47	15,353,305	43
STOCKHOLDER'S EQUITY				
Common Stock (Note 4(M))	11,572,127	30	11,572,127	33
Capital Surplus - Additional Paid in Capital(Note 4(M))	1,298,456	3	1,298,456	3
Retained Earnings (Note 4(N))				
Legal reserve	2,092,140	5	2,058,228	6
Special reserve	5,213,619	13	5,140,217	14
Unappropriated Retained Earnings	703,956	2	339,123	1
Total Retained Earnings	8,009,715	20	7,537,568	21
Cumulative Translation Adjustments (4(E))	(181,140)	-	(123,743)	-
Net Loss Not Recognized as Pension Cost (Note 2(O) and 4(L))	(103,999)	-	(85,069)	-
Unrealized Losses on Financial Products (Notes 2(G) and 4(D))	-	-	(9,162)	-
TOTAL STOCKHOLDERS' EQUITY	20,595,159	53	20,190,177	57
SIGNIFICANT COMMITMENTS AND CONTINGENCIES (Note 7)				
TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY	**$ 38,513,706**	**100**	**35,543,482**	**100**

(See the accompanying notes to the financial statements)

(English Translation of Financial Report Originally Issued in Chinese)

JIH SUN SECURITIES CO., LTD.

STATEMENTS OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

(expressed in thousands of New Taiwan dollars, except for earnings per share)

	2012		2011	
	Amount	%	Amount	%
REVENUES (Note 2(R))				
Brokerage Handling Fee Revenue (Note 5(B))	$ 1,811,010	45	2,404,561	48
Income from Securities Lendings	22,366	1	13,773	-
Revenues from Underwriting Business	62,930	2	84,649	2
Gains on Sale of Securities - Proprietary	24,278	1	-	-
Gains on Sale of Securities - Underwriting	16,056	-	9,188	-
Revenue from Providing Agency Service for Stock Affairs (Note 5(B))	44,989	1	43,193	1
Interest Income	822,398	21	1,132,321	23
Dividend Revenue	105,807	3	201,053	4
Valuation Gains on Operating Securities - Underwriting	1,880	-	-	-
Valuation Gains on Operating Securities - Hedging	39,406	1	-	-
Gains on Covering of Borrowed Securities and Bonds with Resale Agreements - Short Sales	-	-	8,854	-
Profit from Issuance of Call (Put) Warrants	293,435	7	431,004	9
Future Commission Revenue (Note 5(B))	95,494	2	130,250	3
Gains from Derivative Financial Products - Futures (Note 4(Q))	281,908	7	125,016	2
Gains from Derivative Financial Products - OTC (Note 4(Q))	3,888	-	18,225	-
Other Operating Income	6,025	-	13,840	-
Non-Operating Revenues and Gains (Notes 4(E) and 5(B))	377,386	9	401,053	8
Total Revenue	4,009,256	100	5,016,980	100
EXPENDITURE				
Brokerage Handling Fee Expense (Note 5(B))	102,825	3	149,025	3
Proprietary Handling Fee Expense	8,255	-	7,852	-
Refinancing Processing Fee Expenses	511	-	214	-
Losses on Sale of Securities - Proprietary	-	-	775,311	15
Losses on Sale of Securities - Hedging	67,003	2	203,913	4
Interest Expense (Note 5(B))	68,197	2	32,680	1
Valuation Losses on Operating Securities - Proprietary	8,465	-	49,401	1
Valuation Losses on Operating Securities - Underwriting	-	-	7,132	-
Valuation Losses on Operating Securities - Hedging	-	-	133,384	3
Losses on Covering of Borrowed Securities and Bonds with Resale Agreements - Short Sales	52,981	1	-	-
Valuation Losses on Borrowed Securities and Bonds with Resale Agreements - Short Sales	8,346	-	4,706	-
Expenses Arising Out of Issuance of Call (Put) Warrants	46,269	1	32,053	1
Futures Commission Expense (Note 5(B))	1,062	-	284	-
Expense of Clearing and Settlement	2,791	-	569	-
Losses from Derivative Financial Products - Futures (Note 4(Q))	251,019	6	114,674	2
Operating Expenses (Note 5(B))	2,466,496	62	2,772,594	55
Other Operating Expense	803	-	13,830	-
Non-Operating Expense and Loss	56,036	1	85,931	2
Total Expenditure	3,141,059	78	4,383,553	87
NET INCOME BEFORE INCOME TAX	868,197	22	633,427	13
Income Tax Expense (Notes 2(Q) and 4(O))	164,241	4	294,304	6
NET INCOME	**$ 703,956**	**18**	**339,123**	**7**
	Before income tax	**After income tax**	**Before income tax**	**After income tax**
Primary earnings per share (Note 4(P))	**$ 0.75**	**0.61**	**0.55**	**0.29**

(See the accompanying notes to the financial statements)

(English Translation of Financial Report Originally Issued in Chinese)

JIH SUN SECURITIES CO., LTD.
STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011
(expressed in thousands of New Taiwan dollars)

	Stock		Retained Earnings				Other Adjustments To Stockholder's Equity				
	Common Stock	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Retained Earnings	Subtotal	Cumulative Translation Adjustments	Net Loss Not Recognized as Pension Cost	Unrealized Losses on Financial Products	Subtotal	Total
Beginning Balance, January 1, 2011	$ 11,572,127	1,298,456	1,855,106	4,401,323	2,031,219	8,287,648	(181,879)	(43,238)	(3,586)	(228,703)	20,929,528
Net Income for The Year Ended December 31, 2011	-	-	-	-	339,123	339,123	-	-	-	-	339,123
Earnings Appropriation and Distribution											
Legal Reserve	-	-	203,122	-	(203,122)	-	-	-	-	-	-
Special Reserve	-	-	-	409,830	(409,830)	-	-	-	-	-	-
Cash Dividends - Common Stock	-	-	-	-	(1,418,267)	(1,418,267)	-	-	-	-	(1,418,267)
Changes in Unrealized Loss on Available-for-Sale Financial Assets	-	-	-	-	-	-	-	-	(5,576)	(5,576)	(5,576)
Changes in Net Loss not Recognized as Pension Cost	-	-	-	-	-	-	-	(41,831)	-	(41,831)	(41,831)
Changes in Foreign Exchange Gain (Loss) Due to The Translation of Foreign Currency Financial Statements	-	-	-	-	-	-	58,136	-	-	58,136	58,136
Reclassification of Trading Loss Reserve and Reserve for Loss on Breaches of Contract as Speaical Reserve	-	-	-	329,064	-	329,064	-	-	-	-	329,064
Ending Balance, December 31, 2011	11,572,127	1,298,456	2,058,228	5,140,217	339,123	7,537,568	(123,743)	(85,069)	(9,162)	(217,974)	20,190,177
Net Income for The Year Ended December 31, 2012	-	-	-	-	703,956	703,956	-	-	-	-	703,956
Earnings Appropriation and Distribution											
Legal Reserve	-	-	33,912	-	(33,912)	-	-	-	-	-	-
Special Reserve	-	-	-	73,402	(73,402)	-	-	-	-	-	-
Cash Dividends - Common Stock	-	-	-	-	(231,809)	(231,809)	-	-	-	-	(231,809)
Changes in Unrealized Loss on Available-for-Sale Financial Assets	-	-	-	-	-	-	-	-	9,162	9,162	9,162
Changes in Net Loss Not Recognized as Pension Cost	-	-	-	-	-	-	-	(18,930)	-	(18,930)	(18,930)
Changes in Foreign Exchange Gain (Loss) Due to The Translation of Foreign Currency Financial Statements	-	-	-	-	-	-	(57,397)	-	-	(57,397)	(57,397)
Ending Balance, December 31, 2012	**$ 11,572,127**	**1,298,456**	**2,092,140**	**5,213,619**	**703,956**	**8,009,715**	**(181,140)**	**(103,999)**	**-**	**(285,139)**	**20,595,159**

Note: For the years ended December 31, 2012 and 2011, directors' remuneration and the employee bonuses had been deducted from the statements of income, please refer to Note 4(N).

(See the accompanying notes to the financial statements)

(English Translation of Financial Report Originally Issued in Chinese)

JIH SUN SECURITIES CO., LTD.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

(expressed in thousands of New Taiwan dollars)

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 703,956	339,123
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation	78,806	77,894
Amortization	11,548	18,761
Income from equity investments under the equity method	(27,514)	(70,079)
Dividend recognized under the equity method	118,049	105,483
Loss on disposal of property and equipment	531	2,031
Valuation loss on financial assets and liabilities	(24,448)	195,031
Impairment loss on financial assets	20,210	5,067
Changes in operating assets and liabilities		
Changes in operating assets		
Financial assets measured at fair value through profit or loss	(3,768,495)	(437,676)
Bond investments under resale agreements	305,178	(305,178)
Margin loans receivable	1,072,346	7,935,950
Refinancing margin	31,454	(36,331)
Refinancing collateral receivable	25,407	(31,255)
Security borrowing collateral price	49,065	(189,754)
Security borrowing margin	(46,318)	(169,447)
Notes receivable	401	1,280
Accounts receivable	18,594	287,883
Accounts receivable - related parties	1,452	1,313
Prepayments	(2,539)	(4,164)
Other receivables	(5,567)	79,641
Deferred income tax assets - non-current	8,730	8,867
Available-for-Sale financial assets-current	208,321	42,489
Cash and cash equivalents - receipts under custody from exercise of warrant	-	1
Cash and cash equivalents - receipts under custody from customers' security subscription	-	1
Net change in debit and credit items for trade brokerage	273,132	(87,639)
Total changes in operating assets	(1,828,839)	7,095,981
Changes in operating liabilities		
Liabilities for bonds with attached repurchase agreements	2,391,056	5,453,114
Financial liabilities measured at fair value through profit or loss	130,543	(413,806)
Securities financing refundable deposits	(162,614)	159,440
Deposits payable for securities financing	(114,806)	175,751
Securities lending refundable deposits	254,773	475,627
Accounts payable	270,479	(624,375)
Amounts received in advance	18,475	(40,779)
Receipts under custody	(3,654)	4,239
Other payables	(194,153)	(168,802)
Accrued pension liabilities	(51,569)	(52,161)
Total changes in operating liabilities	2,538,530	4,968,248
Changes in operating assets and liabilities	709,691	12,064,229
Net cash provided by operating activities	1,590,829	12,737,540

(English Translation of Financial Report Originally Issued in Chinese)

JIH SUN SECURITIES CO., LTD.

STATEMENTS OF CASH FLOWS (CONT'D)

FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

(expressed in thousands of New Taiwan dollars)

	2012	2011
CASH FLOWS FROM INVESTING ACTIVITIES		
Available-for-sale financial assets - non-current	$ 6,000	-
Acquisition of fixed assets	(116,751)	(130,273)
Operation guaranteed deposits	-	(15,000)
Clearing and settlement fund	163,234	11,395
Other assets - refundable deposits	2,463	(2,044)
Restricted assets	(497,523)	18,478
Acquisition of intangible assets	(18,043)	(13,556)
Net Cash Used in by Investing Activities	(460,620)	(131,000)
CASH FLOWS FROM FINANCING ACTIVITIES		
Short-term loans	-	(4,380,000)
Commercial paper payable	-	(2,519,058)
Other liability - refundable deposits	(1,105)	1,494
Cash dividends	(231,809)	(1,418,267)
Net Cash Used in by Financing Activities	(232,914)	(8,315,831)
Net Increase in Cash and Cash Equivalents	897,295	4,290,709
Cash and Cash Equivalents, Beginning of Period	6,041,952	1,751,243
Cash and Cash Equivalents, End of Period	**$ 6,939,247**	**6,041,952**
SUPPLEMENTAL CASH FLOW INFORMATION		
Interest paid during the year	**$ 32,941**	**75,373**
Income tax paid during the year	**$ 319,662**	**345,146**
NON-CASH INVESTING AND FINANCING ACTIVITIES		
Long-term liability - current portion	**$ 1,497,570**	**-**

(See the accompanying notes to the financial statements)

1. OVERVIEW

Jih Sun Securities Co., Ltd. (the "Company") was established in December, 1961 and engaged in the activities of securities brokerage, securities trading, securities underwriting, securities margin purchases and short sales, stock transaction agency services, futures trading and auxiliary services for futures trading and stock warrant issuance.

In order to increase market share of brokerage services and competitiveness, the Board of Directors resolved that the Company as the surviving company would merge with Yuan Xin Securities Co., Ltd. on April 22, 2002. Meanwhile, in accordance with the resolution, the Company acquired the operating assets and operating rights of Hemei Securities Co., Ltd. and Toufen Securities Co., Ltd. As of December 31, 2012, after merging and capital increase, the Company had established 43 branches.

Moreover, in order to extend the economic scale of operation and increase the synergy of financial institutions, extraordinary shareholders' meeting, on December 14, 2001, announced an exchange of shares with "Jih Sun International Bank Ltd." and transformed into a new "Jih Sun Financial Holding Co., Ltd." The conversion date of record was settled on February 5, 2002.

The Company's parent company is Jih Sun Financial Holding Co., Ltd.

As of December 31, 2012 and 2011, the Company had approximate 1,675 and 1,714 employees, respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Company's financial statements were prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Firms," the "Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants" and "Generally Accepted Accounting Principles in the Republic of China". The significant accounting policies and bases of measurement adopted in preparing these financial statements are as follows:

(A) Accounting estimate

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

(B) Asset impairment

In accordance with Financial Accounting Standards (SFAS) No. 35 "Impairment of Assets," 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.

(C) Foreign currency transactions and translation of foreign currency financial statement

The Company records transactions in New Taiwan dollars. Monetary assets and liabilities denominated in foreign currencies are revalued at the spot rate on the balance sheet date. According to amended Statement of Financial Accounting Standards (SFAS) No. 14 "The Effects of Changes in Foreign Exchange Rates," non-monetary assets or liabilities denominated in foreign currencies are measured at the historical exchange rate of the transaction date. Non-monetary assets or liabilities denominated in foreign currencies that are measured at fair value are translated into the functional currency using the spot rate at the balance sheet date. If the non-monetary assets or liabilities are measured at fair value through profit or loss, the resulting unrealized exchange income (loss) from such translations is reflected in the accompanying statements of income. If the non-monetary assets or liabilities are measured at fair value through stockholders' equity, the resulting unrealized exchange income (loss) from such translations is recorded as a separate component of stockholders' equity.

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

(D) Classification of assets and liabilities as current or non-current

Current assets are those which will be converted into cash or be used up within 12 months; all the other assets are classified as non-current assets.

Current liabilities are those which will be paid off in 12 months; all the other liabilities are classified as non-current liabilities.

(E) Cash and cash equivalents

Cash and cash equivalents include cash on hand, bank savings, and short-term investments that are readily convertible to fixed amounts of cash and the interest rate fluctuations have little effect on their values with a short term maturity.

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

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

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

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

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

(1) Products acquired primarily for the purpose of sale or repurchase in the near term.

(2) Assets that are part of a group of distinct financial product portfolios under comprehensive management, where there is evidence that in the near term the group is in fact being managed for short-term profit.

(3) Financial derivative products (except for financial guaranteed contract and derivative products of effective hedging).

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

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

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

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

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

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

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

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

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

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

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

(1) Liabilities incurred primarily for the purpose of repurchase in the near term.

(2) Liabilities that are part of a group of distinct financial product portfolios under comprehensive management, where there is evidence that in the near term the group is in fact being managed for short-term profit.

(3) Derivative financial liabilities.

(4) Securities covering obligations in securities financing or securities borrowing.

(5) Financial assets held for trading whose subsequent valuations measured at fair value as negative.

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

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

Proceeds received from issuing warrants are recorded as warrants liabilities. Amounts of repurchasing these warrants are recorded as warrants redeemed and counted for the deduction of warrants liabilities. When selling redeemed warrants, costs are calculated by weighted-average method and the related gain or loss are booked as gain or loss on issuance of warrants. Warrants liabilities and warrants redeemed are valued at market value on the balance sheet date, and the gain or loss on issuance of warrants are recorded. The decrease in such liabilities is recognized as a gain on issuance of warrants. The issuer can take the cash settlement method if the investors do not exercise until the due date on the basis of Tai- Jheng- Shang NO.0920102843, and if warrants have no exercise-value, the gain on warrants expiration is recognized. When warrants are settled by cash, gains or losses on exercise of warrants are recognized by exercise price plus warrant price at the exercise day minus market price of underlying securities. When warrants are settled by securities, the underlying securities delivered are treated as sold in the market and revenue is recognized by exercise price, while cost is calculated by moving average method.

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

(c) Financial Derivative Products

The accounting of the financial derivative products held by the Company were as follows:

(1) The transaction deposits or right fees which are paid or received from futures department which engages in futures – dealer and option transaction business and the amount of the change of guaranty deposits or right fee from unclosed position which raises by evaluation day–to–day are recorded as the "futures margin - own funds," "buy options," or "sell options," respectively. The settled difference from futures and option transaction business on closed position is regarded as current loss or gain, and the difference between settled price and averaged price on the part of unwritten off is regarded as current loss or gain.

(2) Interest rate swaps and foreign currency swaps

As there is no physical transfer of principal, only memo entries are made on the contract date. The difference between the interest amount received and the interest amount paid is recognized as current profit or loss for both interest rate swaps and foreign currency swaps that are not held for trading. Interest rate swaps and foreign currency swaps held for trading purpose are recognized as the fair value in the balance sheet. The changes of the fair value are recognized as current profit or loss whether the changes were realized or unrealized.

(3) Bond options

The Company recognizes the executable nominal principal of the option recorded by memo entries during the contract period which are evaluated by fair value method at the end of the period as current loss or gain. If the option has been exercised, the underlying bond needs to be received or be delivered, and the fair value of the bond should be recognized as revenue of selling securities or cost of acquiring securities which is calculated according to the rate of executing contract and recorded as receivable or payable.

(G) Available-for-sale financial assets

The available-for-sale financial assets is measured by fair value, and the resulting gain or loss is recognized in equity. If any objective evidence shows that an available-for-sale financial asset is impaired, the impairment loss is recognized immediately. Impairment losses shall not be reversed in the future.

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

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

(H) Bond investments under resale agreements and liabilities for bonds with attached repurchase agreements

The financing method which the Company adopted is to account for bond transactions with terms to repurchase and resale. Sales of securities with repurchase terms for financing purposes are recorded as "liabilities for bonds with attached repurchase agreements". Upon execution of repurchase terms, the difference between the repurchase price and financing amount is recorded as interest expense. Purchases of securities with resale terms for financing purposes are recorded as "bond investments under resale agreements". Upon execution of resale terms, the difference between the resale price and financing amount is recorded as interest income.

(I) Margin loans, securities financing, refinancing and securities borrowing

Margin loans extended to customers by the Company for the purchase of securities are recorded as margin loans receivable. Such loans are secured by the securities purchased by the customers. Customers may redeem the collateral securities upon repayment of the loans.

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

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

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

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

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

(J) Allowance for bad debts

Allowance for bad debts is estimated by assessing the impairment loss of the notes and accounts receivable at year-end according to the third amendment of Financial Accounting Standards (SFAS) No. 34.

(K) Stock investments measured by equity method

Investees in which the Company and its subsidiaries directly or indirectly hold more than 20% of the outstanding stock with voting right, or hold less than 20% but are able to exercise significant influence over the investees are accounted for under the equity method. Upon disposition, gain or loss on disposal of long-term equity investment is calculated based on the difference between selling price and book value on the disposed date. The remaining capital surplus arising from long-term equity investment is adjusted to profit and loss based on the percentage of sales.

If the Company has control over the investee, in addition to value by equity method, the Company should prepare the consolidated financial statements in compliance with SFAS NO.7 quarterly.

(L) Fixed assets

Fixed assets are stated at cost, and the amount of evaluation is based on cost less accumulated depreciation. Major additions, improvements and replacements are capitalized, while maintenance and repairs are recognized as current expenses. Upon disposition, the related cost and accumulated depreciation are deducted from the accounts. Gain or loss from disposal of fixed assets is recorded on non-operating gain or loss.

Depreciation of property, plant, and equipment is calculated by the straight-line method over the estimated useful life as stipulated by the government, and the useful life is as follows: Buildings, 10 ~ 55 years ; Machinery and equipment, 3 ~ 10 years; Leasehold improvements, 3 ~ 15 years. If fixed assets are still able to use after their original estimated useful life, the estimated salvage value may still be depreciated over their acceptable useful lives.

(M) Intangible assets

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

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

(a) Computer Software 3 – 5 years

(b) Operating Right 5 years

(N) Securities borrowing transactions

When engaging in securities borrowing transactions, securities company should recognize the amounts of securities sold from securities borrowing as liabilities and classify them by the purpose of hedging or speculative. The Company was engaged in the market-maker of stock options. Due to demands for hedging and settlement of the stock options contracts, the Company opened separate accounts for trading the underlying securities of stock options and undertook the selling of securities borrowing or securities financing. The amounts from selling of securities borrowing or securities financing are recognized as the "Liabilities on sale of borrowed securities-hedged" and value with HCM method. The market price evaluates at closing price on the date of the accounting period ended. The short covering should calculate by moving-averaged method, the gain from short covering should recognized as "Gain from short covering", and recorded according to the account of stocks and bonds. The amounts of repurchasing the borrowed stocks or bonds are recognized as a deduction of gain from short covering. Financial liabilities measured at fair value through profit or loss should be measured at fair value, and changes in fair value should be recorded in the profit or loss for the current period.

(O) Pension plan

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

The Company adopted SFAS No. 18, "Accounting for Pensions," referring to the net periodic pension cost provided by actuary based on actuarial report, including current service cost, interest cost, projected return on pension plan assets, unrecognized transitional net assets and amortization of gain or loss on pension. The unrecognized transitional net assets are amortized using the straight-line method over 15 years; amortization of gain or loss on unrecognized pension should be amortized based on remaining service period.

The Labor Pension Act of R.O.C. ("the Act") has been effective since July 1, 2005 and it adopts defined contribution pension plan. Employees of the Company (who were hired before July 1, 2005) may elect to be subjected to either the Act and maintain their seniority before the enforcement of the Act, or the pension mechanism of the Labor Standards Law. For employees subject to this Act, the Company is required to make monthly cash contributions to the employees' individual pension accounts at the rate of not less than 6% of the employees' monthly wages and deposit the contribution in a personal retirement benefit account. This contribution is recognized as pension expenses for the current period when the contribution is actually made.

(P) Employee bonuses, directors' and supervisors' remuneration

Commencing from January 1, 2008, the Company estimates the amount of employee bonuses and Directors' and Supervisors' remuneration, according to Interpretation (96) No. 052 issued by the Accounting Research and Development Foundation and recognizes as operating expenses. If later the actual allocation amount pursuant to a resolution of a shareholders' meeting of the Company is different from the estimated amount recognized in the financial statements, the difference is accounted for as changes in accounting estimates and recognized as profit or loss for the current period.

(Q) Income tax

The Company adopted Statement of Financial Accounting Standards No. 22, "Income Taxes", in allocating inter- and intra-period income taxes. Deferred income tax liabilities are recognized for future taxable temporary differences and deferred income tax assets are recognized for future deductible temporary differences, prior year loss carry forwards and investment tax credits. The future realization of deferred income tax assets is assessed, and a valuation account, if needed, is provided accordingly.

After adopting the imputation tax method in 1998, a 10 % surtax on undistributed earnings is levied as current income tax expense in the year that the stockholder's meeting declaring the distribution of earnings.

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

(R) Revenue

Revenue is recognized when realized or realizable and earned.

(S) Operating segments

The Company has presented segment information in the consolidated financial statements, so the Company will not present segment information in this separate financial statement.

3. REASONS FOR AND EFFECT OF ACCOUNTING CHANGES

Effective from January 1, 2011, the Company adopted the third amendment of SFAS No. 34 "Financial Instruments: Recognition and Measurement."In accordance with SFAS No. 34, loans and receivables should apply the regulations on recognition, subsequent evaluation, and impairment in SFAS No. 34. Aforementioned changes in accounting principles have no significant impact on the net income of 2011.

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

4. SUMMARY OF MAJOR ACCOUNTS

(A) Cash and cash equivalents

	December 31, 2012	December 31, 2011
Cash in banks:		
Savings accounts	$ 955,024	779,526
Checking accounts	55,718	36,938
Time deposits	4,450,540	750,000
Cash equivalent:		
Short-term notes	1,477,965	4,475,488
Total	**$ 6,939,247**	**6,041,952**

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

	December 31, 2012	December 31, 2011
Open-end fund and money market instruments	$ -	50,026
Securities held for operations – proprietary	10,182,424	6,769,299
Securities held for operations – underwriting	84,032	163,342
Securities held for operations – hedging	770,038	499,944
Buy options – trading	2,868	5,750
Futures margin – own funds	170,337	56,853
Derivative financial assets – OTC	1,584	194
Financial asset designated as at fair value through profit or loss – current		
Structured notes	135,414	-
Total	**$ 11,346,697**	**7,545,408**

(a) Open-end fund and money market insturument

	December 31, 2012		December 31, 2011	
	Cost	**Market Value**	**Cost**	**Market Value**
Open-end fund and money market instruments	$ -	-	50,000	**50,026**
Valuation adjustment on open-end fund and money market instruments	-		26	
Total	**$ -**		**50,026**	

(b) Securities held for operations – proprietary

	December 31, 2012	December 31, 2011
Listed stocks	$ 122,223	-
Over-the-counter stocks and bonds	137,817	66,740
Warrants	1,926	1,259
Foreign stocks	29,116	29,116
Emerging stocks	364,971	78,421
Government bonds	5,026,484	4,457,314
Corporate bonds	4,410,745	2,039,375
Financial debentures	100,533	100,000
Subtotal	10,193,815	6,772,225
Valuation adjustment on securities held for operations – proprietary	(11,391)	(2,926)
Net	**$ 10,182,424**	**6,769,299**
Market value	**$ 10,182,424**	**6,769,299**

As of December 31, 2012 and 2011, the securities held for operations - proprietary amounted to $9,591,746 and $6,596,689 were provided for repurchase agreements.

(c) Securities held for operations - underwriting

	December 31, 2012	December 31, 2011
Listed stocks	$ 5,812	56,634
Over-the-counter stocks and bonds	72,386	102,750
Unlisted stocks and bonds	24,272	24,275
Subtotal	102,470	183,659
Valuation adjustment on securities held for operations – underwriting	(18,438)	(20,317)
Net	**$ 84,032**	**163,342**
Market value	**$ 84,032**	**163,342**

(d) Securities held for operating – hedging

	December 31, 2012	December 31, 2011
Listed stocks	$ 641,750	445,036
Over-the-counter stocks	104,050	70,077
Subtotal	745,800	515,113
Valuation adjustment on securities held for operations – hedging	24,238	(15,169)
Net	**$ 770,038**	**499,944**
Market value	**$ 770,038**	**499,944**

(C) Bonds investments under resale agreements

	December 31, 2012	December 31, 2011
Central Government Development Bonds	**$ -**	**305,178**

The bonds purchased under resale agreement shown above, after December 31, 2011, the agreed amount of resell securities amounted to $305,262.

(D) Available-for-sale financial assets – current

	December 31, 2012	December 31, 2011
Available-for-Sale financial assets - current - securities held for operations – underwriting	$ -	208,321
Valuation adjustment on available-for-sale financial assets	-	(9,162)
Total	**$ -**	**199,159**

(E) Funds and long-term investments

(a) Stock investments measured by equity method :

December 31, 2012	Ownership %	Amount
Jih Sun Futures Co., Ltd. (original investment cost $618,268)	98.138	$ 1,379,956
Jih Sun International Investment Holding Co., Ltd. (original investment cost $1,795,250 (US$54,600))	100.00	1,348,987
Jih Sun Securities Investment Consulting Co., Ltd.(original investment cost $173,600)	100.00	77,436
Jih Sun Securities Investment Trust Co., Ltd. (original investment cost $211,380)	20.00	230,256
Total		**$ 3,036,635**

December 31,2011	Ownership %	Amount
Jih Sun Futures Co., Ltd. (original investment cost $618,268)	98.138	$ 1,372,253
Jih Sun International Investment Holding Co., Ltd. (original investment cost $1,795,250 (US$54,600))	100.00	1,506,507
Jih Sun Securities Investment Consulting Co., Ltd. (original investment cost $173,600)	100.00	70,906
Jih Sun Securities Investment Trust Co., Ltd. (original investment cost $211,380)	20.00	234,901
Total		**$ 3,184,567**

For the years ended December 31, 2012 and 2011, gain or loss of valuation on investment by equity method and cumulative translation adjustment of foreign currency valuation were as follows:

		2012	2011
Jih Sun Futures Co., Ltd.			
- Gain on investment	$	101,172	133,527
- Reclassification of reserve for loss on breaches of contract and trading loss reserve as special reserve		-	87,509
Total	**$**	**101,172**	**221,036**
Jih Sun International Investment Holding Co., Ltd.			
- Loss on investment	$	(100,123)	(100,415)
- Cumulative translation adjustment		(57,397)	58,136
Total	**$**	**(157,520)**	**(42,279)**
Jih Sun Securities Investment Consulting Co., Ltd.			
- Gain on investment	**$**	**13,170**	**16,975**
Jih Sun Securities Investment Trust Co., Ltd.			
- Gain on investment	**$**	**13,295**	**19,992**

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

Supplemental disclosure pursuant to the "Regulations Governing the Preparation of Financial Reports by Securities Firms" and the related : please refer to Note 11.

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

December 31, 2012	Ownership %		Amount
Taiwan Stock Exchange Corporation	3.00	$	586,067
Taiwan Securities Central Depository Co.,Ltd.	1.74		43,789
Taiwan Futures Exchange Co., Ltd.	2.69		189,472
FuJi Management Consultant Co., Ltd.	1.97		-
Global Securities Finance Corporation	0.88		57,832
Top Taiwan III Venture Capital Co., Ltd.	10.00		97,294
Parawin Venture Capital Corp. (Note 2)	6.00		33,745
Cotillion III Venture Capital Corp.	9.23		32,381
PK II Venture Capital Corp.	9.29		57,261
Taiwan Integrated Shareholder Service Company	5.80		12,923
Hui Yang Venture Capital Group	7.69		118,466
Subtotal		**$**	**1,229,230**

December 31, 2011	Ownership %		Amount
Taiwan Stock Exchange Corporation	3.00	$	586,067
Taiwan Securities Central Depository Co.,Ltd.	1.74		43,789
Taiwan Futures Exchange Co., Ltd.	2.69		189,472
FuJi Management Consultant Co., Ltd.	1.97		-
Global Securities Finance Corporation	0.88		57,832
Top Taiwan III Venture Capital Co., Ltd.	10.00		100,000
Parawin Venture Capital Corp. (Note 2)	6.00		41,619
Cotillion III Venture Capital Corp.	9.23		39,248
PK II Venture Capital Corp.	9.29		65,000
Taiwan Integrated Shareholder Service Company	5.80		13,947
Hui Yang Venture Capital Group	7.69		118,466
Subtotal		**$**	**1,255,440**

Note (1): Pledged details of available-for-sale financial assets-non-current are disclosed in Note 6.

Note (2): Parawin Venture Capital Corp. decided a reduction of capital to shareholders on May 10th, 2012, leading to a 10% decrease in its capital. Legal procedure was completed and $6,000 was refunded to the Company.

Note (3): The evidence presented that the investment value of Top Taiwan III Venture Capital Co., Ltd., Parawin Venture Capital Corp., Cotillion III Venture Capital Corp., PK II Venture Capital Corp., and Taiwan Integrated Shareholder Service Company had already impaired; therefore, the Company recognized the loss impairment of $ 2,706, $ 1,874, $6,867, $7,739 and $1,024, respectively in 2012.

The evidence presented that the investment value of Cotillion III Venture Capital Corp., Taiwan Integrated Shareholder Service Company and Parawin Venture Capital Corp. had already impaired; therefore, the Company recognized the loss impairment of $ 3,526, $ 114 and $1,427, respectively in 2011.

(F) Fixed assets

December 31, 2012	Cost	Accumulated Depreciation	Net
Land	$ 1,271,212	-	1,271,212
Buildings	586,037	234,693	351,344
Machinery and equipment	953,791	764,772	189,019
Prepayment for equipment	2,690	-	2,690
Leasehold improvements	329,760	286,372	43,388
Total	**$ 3,143,490**	**1,285,837**	**1,857,653**

December 31, 2011	Cost	Accumulated Depreciation	Net
Land	$ 1,271,212	-	1,271,212
Buildings	586,037	223,365	362,672
Machinery and equipment	881,436	761,854	119,582
Prepayment for equipment	19,502	-	19,502
Leasehold improvements	345,176	290,099	55,077
Total	**$ 3,103,363**	**1,275,318**	**1,828,045**

Details relating to the pledged fixed asset, please refer to Note 6. Pledged assets.

(G) Liabilities for bonds with attached repurchase agreements

	December 31,	
	2012	2011
Central Government Development Bonds	$ 5,070,874	5,093,785
Corporate bonds	4,447,640	2,033,611
Financial debentures	100,000	100,062
Total	**$ 9,618,514**	**7,227,458**

Based on the repurchase agreements, after December 31, 2012 and 2011, the Company is obligated to repurchase the above bonds at the sales price plus a mark-up of $9,622,519 and $7,230,374, respectively.

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

	December 31, 2012	December 31, 2011
Financial liabilities held for trading:		
Warrants liabilities	$ 7,412,485	5,163,359
Warrants redeemed	(7,243,135)	(5,008,666)
Sell options - trading	10,966	4,454
Liabilities on sale of borrowed securities - hedged – stock	198,905	239,555
Liabilities on sale of borrowed securities - trading	5	-
Derivative financial liabilities - OTC	-	4,051
Financial liabilities designated at fair value through profit or loss - current		
Structured notes	197,745	35,329
Total	**$ 576,971**	**438,082**

(I) Long-term borrowings - net

Bank/Bills Finance Corp.	Period	Credit line	December 31, 2012	December 31, 2011	Note
Commercial paper payable					
Taching Bills Finance Ltd.	2010.01.06~2013.01.06	$ 300,000	300,000	300,000	Use circularly within credit limit
China Bills Finance Corp.	2010.03.05~2013.03.04	500,000	500,000	500,000	〃
International Bills Finance Corp.	2010.03.29~2013.03.29	200,000	200,000	200,000	〃
Mega Bills Finance Corp.	2010.03.05~2013.03.04	500,000	500,000	500,000	〃
Subtotal			1,500,000	1,500,000	
Less: Discount on commercial paper payable			(2,430)	(2,971)	
Long-term borrowings - current portion			(1,497,570)	-	
Net			-	**1,497,029**	

(J) Other liability – others

On August 28, 1991, the Company merged with Yeong Lin Securities Co., Pan Chiao Securities Co., Jih Chung Securities Co., and Chia Yi Securities Co., The Company assumed the above four merged companies' assets, liabilities, and related rights and obligations. Pursuant to the Article 13 of the Statute for Upgrading Industries, reserve for land value incremental tax was $18,174. Moreover, the Company applied for the review of land value incremental tax which had paid while it merged with Yeong Lin Securities Co.. In accordance with the decision of Kaohsiung Ji- Fa No. 49239, land value incremental tax payable of $7,857 was transferred from capital surplus. Furthermore, the Chia Yi Branch sold land on February 14, 1994, resulting in land value incremental tax payable of $266. In 2002, the Company merged with Toufen Securities Co., Ltd. and took over all its assets and liabilities and relevant rights and obligations. Meanwhile, the Company reserved $3,105 for land value incremental tax. As of December 31, 2012 and 2011, the total land value incremental tax payable amounted to $28,870.

(K) Debit(credit) items for trade brokerage – net

	December 31, 2012	December 31, 2011
DEBIT ITEMS FOR TRADE BROKERAGE		
Cash and cash equivalents - settlement amounts	$ 64,642	125,159
Receivable price of securities purchased for customers	22,375	7,427
Receivable accounts for settlement	3,487,825	2,859,230
Settlement price	59,677	413,839
Subtotal	3,634,519	3,405,655
CREDIT ITEMS FOR TRADE BROKERAGE		
Payable price of securities sold for customers	15,129	12,217
Settlement accounts payable	3,585,960	3,086,876
Subtotal	3,601,089	3,099,093
Net change in debit and credit item for trade brokerage	**$ 33,430**	**306,562**

(L) Pension plan

(a) The Company adopted SFAS No. 18, "Accounting for Pensions", for the employee pension plan from December 31, 1995. When an employee retires or resigns, the Company will return his pension fund deposit and related interest. In addition, the Pension Fund Administrative Committee will pay the pension or termination payment to the employee based upon a certain percentage (maximum is 100%) of his pension fund deposit from the "Pension fund", and it is not a defined benefit pension plan. The movements of the "Pension fund" for 2012 and 2011 are summarized as follows:

	2012	2011
Beginning balance	$ 57,094	58,033
Add: interest	466	410
Less: expense	(1,032)	(1,349)
Ending balance	**$ 56,528**	**57,094**

(b) Effective from March 1998, the Company makes monthly pension contributions at 2.8% of employee monthly gross salaries (managers' contribution ratio is 4%) to a designated pension fund account at Bank of Taiwan. The movements of the "Pension Fund" for 2012 and 2011 are summarized as follows:

	2012	2011
Ending balance of pension fund	$ 358,595	290,310
Current expense of pension fund:		
Defined benefit pension plan	29,723	27,685
Defined contribution pension plan	52,057	57,066
Ending balance of accrued pension liabilities	109,110	141,749

(c) For the years ended December 31, 2012 and 2011, the components of net periodic pension costs were as follows:

	2012	2011
Service cost	$ 15,217	14,534
Interest cost	11,349	11,197
Expected return on plan assets	(6,597)	(4,582)
Amortization of pension loss	9,754	6,536
Net periodic pension costs	**$ 29,723**	**27,685**

(d) Actuarial assumptions and the reconciliation between pension funding status and the book value of accrued pension liabilities were as follows:

	December 31,	
	2012	2011
Discount rate	1.75%	2.00%
Future salary increase rate	2.00%	2.00%
Projected long-term rate of return on pension plan assets	1.75%	2.00%

	December 31,	
	2012	2011
Benefit obligation		
Vested benefit obligation	$ (77,788)	(45,730)
Non-vested benefit obligation	(389,917)	(386,329)
Accumulated benefit obligation	(467,705)	(432,059)
Additional benefit based on future salaries	(144,564)	(137,723)
Projected benefit obligation	(612,269)	(569,782)
Fair value of pension fund assets	358,595	290,310
Funding status	(253,674)	(279,472)
Unrecognized gain on pension fund	248,563	222,792
Net loss not recognized as pension cost	(103,999)	(85,069)
Accrued pension liability	**$ (109,110)**	**(141,749)**

(M) Capital stock and capital surplus-additional paid in capital

The Company was organized in December 1961 with an original capital of $600, divided into 60,000 shares. Due to various capital increases and decreases over the years, as of December 31, 2012, the Company's authorized capital amounted to $12,200,000. As of December 31, 2012, the Company's paid-in capital amounted to $11,572,127. The issued shares include 1,157,212,760 shares with $10 per share.

	2012	2011
Additional paid in capital	$ 1,018,800	1,018,800
Consolidated additional paid in capital	279,656	279,656
	$ 1,298,456	**1,298,456**

According to the R.O.C. Company Act ("the Act") amended in January, 2012, realized capital surplus can be capitalized and transferred to share capital or payment of cash dividends after offsetting accumulated deficit. Realized capital surplus mentioned above includes the proceeds received in excess of the par value of common stock issued and donated assets. According to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, the amount of capital surplus to be used to increase capital,the total capital surplus transferred to share capital cannot exceed 10% of paid-in capital each year.

(N) Earnings distribution

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

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

According to the regulations ruled by Financial Supervisory Commission, Executive Yuan, when the Company resolves how to distribute the earnings from prior years, in addition to legal reserve, the Company, in compliance with the Securities and Exchange Law No.41 first article, should set aside special reserve as much as "unrealized loss on financial products" under stockholders' equity.

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

In accordance with Rule No.1010011388 issued by FSC, the amount securities and futures firm had already set aside as bad debts loss reserve which was unsettled should be transferred to the special reserve from January 1, 2013. The special reserve shall not be used for purposes other than covering the losses of the Corporation or when the special reserve reaches 50% of the amount of paid-in capital, half of it may be used for capitalization. As of December 31, 2012, the Company has no bad debts loss reserve.

As of December 31, 2012 and 2011, the Company estimated employee bonuses and directors' remuneration amounted to $17,586 and $8,353, respectively. Differences between the amount approved in the shareholders' meeting and estimated in the financial statements, if any, are accounted for as changes in accounting estimates and recognized as profit or loss for the coming year. The discrepancy between the estimated employees' bonuses and directors' remuneration and the actual distribution were underestimated on March 29, 2012 for $50 and $75. The difference was included in the Income statement in 2012.There was no difference between the estimated employees' bonuses and directors remuneration as per meeting of board held on March 2, 2011.

The Company held a meeting of board of directors on behalf of stockholders on March 29, 2012 agreed to earnings distribution of 2011. Another meeting held on March 2, 2011, by board of directors to agree on earnings distribution of 2010. (The related information can be accessed through the Market Observation Post System or other sites.)

Distribution of employee bonuses and remuneration of directors were as follows:

	2011	2010
Employee bonuses － cash	$ 3,391	20,387
Remuneration of directors	5,087	30,581
Total	**$ 8,478**	**50,968**

(O) Income tax

For the years ended December 31, 2012 and 2011, the Company's applicable income tax rates were both 17%; the Company adopted the "Income Basic Tax Act" in determining the income basic tax.

(a) The components of income tax expense of the Company for the years ended December 31, 2012 and 2011 were follows:

	2012	2011
Current income tax expense	$ 111,702	206,887
Adjustment of prior year's income tax expense and the taxable difference assessed by tax authority	43,809	78,550
Deferred income tax expenses	8,730	8,867
Income tax expense	**$ 164,241**	**294,304**

(b) The difference between tax calculated by tax law and tax expense in 2012 and 2011 are listed as follows:

	2012	2011
Income tax calculated on income before income tax	$ 147,594	107,683
Valuation loss on operating securities and investments	(4,123)	33,126
Gain on long-term equity investments － equity method	(4,677)	(11,914)
Suspend to impose capital gains tax	35,159	172,335
Difference between financial and tax treatment of stock warrants	(39,849)	(49,591)
Adjustment of prior year's income tax estimation	43,809	78,550
Others	(13,672)	(35,885)
Income tax expense	**$ 164,241**	**294,304**

(c) As of December 31, 2012 and 2011, the temporary differences resulting in deferred income tax assets, loss carryforwards, investment tax credit and other tax effects were as follows:

	December 31,			
	2012		2011	
Deferred income tax assets -non-current:				
Provision for pension fund in excess of the actual provision	**$ 26,529**	**4,510**	**77,881**	**13,240**

(d) The Company's income tax returns of 2007 were assessed by National Tax Administration.

(e) For the year ended 2003, the National Tax Administration decided to levy additional income tax of $269,330. Except for additional income tax $14,090 from the disputed issues of tax on bond transaction and the income tax of which shall otherwise be offset in respect of the amount over-distributed surplus earnings, the other adjusted items are mainly from the premium and estimate premium of warrant issuance. The Company needn't pay and accrue the additional income tax of $1,501 from the disputed issues of tax on bond transaction due to the National Tax Administration's promise, and the additional income tax of $12,589 resulted from the income tax which shall otherwise be offset in respect of the amount of over-distributed surplus earnings due to the Tax Administration having decided to withdraw the decision. The Company filed an administrative litigation for different amount of income tax which resulted from the remaining items. However, the litigation had been denied by the Supreme Administrative Court in accordance with (101) Pan-Zi No.425 on May 17, 2012, and then the company paid the remaining additional income tax.

(f) For the year ended 2004, the National Tax Administration examined additional income tax of $795,820. The adjusted items are mainly the premium and estimated premium of warrant issuance. Except for the income tax of $25,148 which paid for the Financial Holding Co., Ltd. under consolidated corporate income tax return, the remaining amount of income tax had been accrued. The Company was unsatisfied with the judgment and has filed an administrative litigation. Furthermore, the judgment relating to the 10% surtax on undistributed earnings and other revenue has been revoked by National Tax Administration.

(g) For the year ended 2005, the National Tax Administration assessed additional income tax of $145,045, mainly for the unappropriated earnings surtax of 10% from estimated premium of warrant issuance. Apart from the income tax of $99,429 paid for the Financial Holding Co., Ltd. under consolidated corporate income tax return, the remaining amount of income tax had been accrued. The company filed an administrative litigation for different amount of income tax resulted from the remaining items. However, the litigation had been denied by the Supreme Administrative Court in accordance with (101) Pan-Zi No.239 on March 15, 2012 and then the Company paid the remaining additional income tax.

(h) For the year ended 2006, the National Tax Administration examined additional income tax of $269,787. The mainly adjusted items is the premium and estimated premium of warrant issuance. Except for the part which was double counted by the National Tax Administration, the remaining amount of income tax $177,524 had been accrued. The Company was unsatisfied with the judgment and has appealed for re-examination.

(i) For the year ended 2007, the National Tax Administration examined additional income tax of $100,479. The mainly adjusted items is the estimated premium of warrant issuance. Except for the part which was mistransplant by the National Tax Administration, the remaining amount of income tax $96,879 had been accrued. The Company was unsatisfied with the judgment and has appealed for re-examination.

(j) The Company estimated its income tax on stock warrant transactions pursuant to ruling Tai-Cai-Cheng No. 861922464 issued by the Ministry of Finance on December 11, 1997. Accordingly, the proceeds from the issuance of stock warrants are accounted for as premium 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 Act, and accordingly, any capital gain or loss is not included in the determination of the annual corporate income tax. According to article No. 24-2 of the Income Tax Act passed on July 11, 2007, the Company estimated income tax on Stock warrant transactions starting from July 2007:

- During the period of issued date to maturity date of the stock warrant, which is issued by the issuer, the profit and the loss of the securities and financial derivative products, traded according to risk management, should be added to taxable income and don't apply to the Income Tax Act, the article No. 4-1and 4-2.

- If the trading loss of warrants, underlying securities, and futures derived from risk management exceed the remaining of warrants premiums less related cost of issuance and expenses, the exceeding trading loss is not deductible.

(k) According to the tax ruling in Tai-Cai-Shui Ruling Letter No. 910458039 "The consolidated tax filing return principle which is promulgated in accordance with the Financial Holding Company Act, Article 49, and the Business Mergers and Acquisitions Act, Article 40" issued on February 12, 2003, by the Ministry of Finance, "Where a Financial Holding Company holds more than 90% of the outstanding issued shares of a domestic subsidiary, such Financial Holding Company may, for the tax year in which its such shareholding in the subsidiary has existed for the entire 12 months of the tax year, elect to be the taxpayer itself, and jointly declare and report profit-seeking enterprise income tax. The parent company and its subsidiaries have adopted the consolidated tax filing return principle starting from 2003 and had filed an annual income tax return of 2003, and undistributed earnings of 2002.

The consolidated tax filing return consist of the Company and the parent company, Jih Sun Financial Holding Co., Ltd., and its affiliates Jih Sun International Commercial Bank Co., Ltd. and Jih Sun International Property Insurance Agency Co., Ltd. The consolidated tax filing return principle is used .to achieve tax saving purpose, provide equal tax burden to each individual member of the group and to improve the Group's operating efficuency.

(l) Related information of imputation tax system:

	December 31, 2012	December 31, 2011
Balance of stockholders' imputation credit Account	**$ 58,371**	**63,213**

	2012 (estimated)	2011 (actual)
Estimated (actual) imputation credit ratio of earnings distribution to the habitants of the Republic of China	**8.29%**	**18.64%**

(m) Related information on undistributed earnings

	December 31, 2012	December 31, 2011
Undistributed earnings of 1997 and before	$ -	-
Undistributed earnings of 1998 and after	703,956	339,123
Total	**$ 703,956**	**339,123**

(P) Earnings per share

The Company is the subsidiary held 100% by Jih Sun Financial Holding Limited Co., Ltd. Employees bonuses are not distributed through issuing stocks of the Company; hence, weighted-average number of common shares outstanding will not be diluted. There is no need to calculate dilutive earnings per share.

Current earnings per share are computed based on the weighted-average number of common shares outstanding during the years ended December 31, 2012 and 2011, were both amounted to 1,157,212,760 shares.

(Q) Related information of financial products

(a) Information on Reclassification of Financial Assets

(1) The Company adopted new amended SFAS No. 34 "Financial Instruments: Recognition and Measurement," which requires original financial assets to be reclassified, and measured at fair value on the date of reclassification is as followed:

Original classification :	**Available-for-sale financial assets**
Financial assets held for trading	**$ 1,045,859**

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

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

	Available-for-sale financial assets - current	
	2012.12.31	**2011.12.31**
Book value	**$ -**	**199,159**
Fair value	**$ -**	**199,159**

The above reclassified financial assets were disposed in 2012.

(3) Reclassification of financial assets

	Originally classified as financial assets held for trading	
	2012	**2011**
Change in fair value recognized through profit or loss without reclassification	**$ (3,125)**	**(5,576)**
The amount recognized as profit after reclassification	**$ (12,287)**	**10,690**

(b) Financial derivatives products

(1) Warrants

For information about the issued stock warrants, please refer to Note 4 (H)

A. Credit risk

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

B. Market risk

Warrants are derivative financial products; their market risk arises from changes in price of the underlying securities. The market risk of warrants could be hedged by adjusting warrants issued and their corresponding hedging positions.

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

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

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

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

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

E. Type, purpose and strategy for holding derivative financial products

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

F. Financial statement presentation of derivative financial products

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

(2) Futures and options transactions

The Company started the dealing of futures and options trading in November, 2001. As of December 31, 2012 and 2011, the futures and option trading which the Company still held were as follows:

		Open Interest				
Items	**Transaction Type**	**Holder/ Seller**	**Volume**	**Contract Amount or Paid (Received) Premiums**	**Fair Value**	**Notes**
Dec. 31, 2012						
Futures	Stock Futures	Holder	254	$ 64,857	66,563	Trading
″	Taiwan Stock Index Futures	″	2	3,012	3,066	″
″	Electrical Sector Index Futures	″	1	1,156	1,153	
″	Finance Sector Index Futures	″	15	12,628	12,597	″
″	MSCI Taiwan Stock Index Futures	″	6	4,799	4,791	
Total			**278**	**$ 86,452**	**88,170**	
Options	TAIEX Options - Call	Holder	46	$ 175	388	Trading
″	TAIEX Options - Put	″	1,810	2,614	2,480	″
Total			**1,856**	**$ 2,789**	**2,868**	
Futures	Stock Futures	Seller	203	$ (21,882)	(22,264)	Trading
″	Taiwan Stock Index Futures	″	88	(135,115)	(135,115)	″
Total			**291**	**$ (156,997)**	**(157,379)**	
Futures	Taiwan Stock Index Futures	Seller	**3**	**$ (4,587)**	**(4,606)**	Hedging
Options	TAIEX Options - Call	Seller	1,663	$ (4,560)	(5,021)	Trading
″	TAIEX Options - Put	″	1,444	(6,417)	(5,945)	″
Total			**3,107**	**$ (10,977)**	**(10,966)**	

Items	Transaction Type	Open Interest: Holder/ Seller	Open Interest: Volume	Contract Amount or Paid (Received) Premiums	Fair Value	Notes
Dec. 31, 2011						
Futures	Finance Sector Index Futures	Holder	**3**	**$ 2,375**	**2,347**	Hedging
Options	TAIEX Options - Put	Holder	579	$ 3,452	3,578	Trading
〃	TAIEX Options - Call	〃	459	2,305	2,172	〃
Total			**1,038**	**$ 5,757**	**5,750**	
Futures	TAIEX Futures	Seller	15	$ (21,151)	(21,117)	Trading
〃	TAIEX Futures	〃	2	(2,832)	(2,816)	Hedging
Total			**17**	**$ (23,983)**	**(23,933)**	
Options	TAIEX Options - Call	Seller	521	$ (2,189)	(1,911)	Trading
〃	TAIEX Options - Put	〃	310	(2,321)	(2,543)	〃
Total			**831**	**$ (4,510)**	**(4,454)**	

The above-mentioned fair value is calculated based upon the closing price of futures and options on the Taiwan Futures Exchange as of December 31, 2012 and 2011.

A. Credit risk

The main counter-party of the Company for futures and options contracts is the Taiwan Futures Exchange, which is unlikely to result in credit risk.

B. Market value risk

The futures currently trading under Taiwan Stock Exchange include Index-based Futures and Futures options, the futures' price will fluctuate based upon the stock market trend, the Company has implemented stop-loss points based upon the related risk, and the loss incurred should be within the expected range. Therefore, there is no significant market value risk.

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

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

D. Presentation of financial derivative products-futures in the financial statements

Margin paid by the Company to engage in futures and options transactions was recognized under assets as financial assets measured at fair value through profit or loss – current of futures margin – own funds. As of December 31, 2012 and 2011, futures and options transactions were as follows:

	December 31, 2012	December 31, 2011
Futures margin - own funds	$ 170,337	56,853
Buy options - Trading	2,868	5,750
Sell options - Trading	10,966	4,454

The Company engaged in futures and index options transactions to produce gain or loss on futures contracts and option transactions (recognized as gains or losses from derivative financial products – futures) were as follows :

	2012	2011
Futures contract gain - realized	$ 172,122	88,764
Futures contract gain - valuation	1,355	2,117
Option trading gain - realized	108,009	34,079
Option trading gain - valuation	422	56
Total	**$ 281,908**	**125,016**

	2012	2011
Futures contract loss - realized	$ 148,117	85,215
Futures contract loss - valuation	60	12
Option trading loss - realized	102,461	29,440
Option trading loss - valuation	381	7
Total	**$ 251,019**	**114,674**

(3) Interest rate swap

A. The Company engaged in financial derivatives in the form of interest rate swaps to coordinate the bond investment position. The Company signed interest rate swap contracts for trading with banks and securities companies. As of December 31, 2012 and 2011, the interest rate swap contracts held by the Company were as follows:

2012. 12. 31

Condition of trading	Nominal principal	Fixed rate %	Floating rate index	Settlement date
Received Fixed rate, Paid Floating rate	$ 5,400,000	2.255~2.970	CP90	Quarterly
Received Floating rate, Paid Fixed rate	5,400,000	2.310~2.890	CP90	Quarterly

2011. 12. 31				
Condition of trading	**Nominal principal**	**Fixed rate %**	**Floating rate index**	**Settlement date**
Received Fixed rate, Paid Floating rate	$ 11,700,000	2.150~2.970	CP90	Quarterly
Received Floating rate, Paid Fixed rate	13,200,000	2.135~2.890	CP90	Quarterly

B. Credit risk

Credit risk arises when the transaction party is unable to exercise the terms stated in the interest rate swap contract upon expiration. The Company deals with banks and securities companies with good credit, and determines the maximum remittance amount according to the transaction parties' financial information, external and internal credit rating. Therefore, the credit risk of these transactions is very low.

C. Market risk

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

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

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

E. Type, purpose, and strategy for holding derivative financial products

The Company's major operating activities in derivative financial products includes pairs trading, structured trading, and hedge trading. The Company's profit fluctuates with the market.

(4) Structured Notes

A. Nominal principal or contract amount

The Company undertakes structured note business by combining fixed return commodity with call/put option, and divides into equity-linked note and principal guarantee note. On settlement date, the Company receives rewards from the trading counterparty. However, the rewards may be fluctuated in relation to the degree of increase or decrease of the connected subjects. The pattern of the reward is the trading principal adds/deducts the exercise value of the options at the end of the contract. All of the connected subjects are monetary and financial market instruments which are monitored under SFB. As of December 31, 2012 and 2011, the nominal principals of equity-linked notes were $337,513 and $35,648, respectively; principal guarantee notes were both $0.

B. Credit risk

The Company receives rewards from the customers on the settlement date, when undertaking structured notes business. Therefore, there is no customers' credit risk which the Company shall bear.

C. Market risk

The Company engages in trading of structured notes, which are exercised at their fair value. Since all of the hedging instruments are recorded at market fair value, there is no significant market price risk.

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

When undertaking structured notes business, the Company receives rewards from the customers on the settlement date, and invests or makes use of fund in compliance with the contract. Therefore, there is no significant demand for raising fund.

(5) Presentation of financial derivative products – O.T.C. in the financial statements

A. As of December 31, 2012 and 2011, the Company held positions in interest rate swaps, foreign currency swaps, convertible corporate bond asset swaps and structured notes. Presentation of financial assets measured at fair value through profit or loss and financial liabilities – current in the balance sheets was as follows:

	December 31, 2012	
	Derivative Financial Assets	**Derivative Financial Liabilities**
Derivative financial products – O.T.C		
Value of interest rate swap contracts	$ 1,584	-
Subtotal	1,584	-
Financial products designated as at fair value through profit or loss		
Structure notes	**135,414**	197,745
Total	**$ 136,998**	**197,745**

	December 31, 2011	
	Derivative Financial Assets	**Derivative Financial Liabilities**
Derivative financial products – O.T.C		
Value of interest rate swap contracts	$ -	3,955
Value of contracts – others	194	96
Subtotal	194	4,051
Financial products designated as at fair value through profit or loss		
Structure notes	**-**	35,329
Total	**$ 194**	**39,380**

B. For the years ended December 31, 2012 and 2011, the Company engaged in interest rate swaps, foreign currency swaps and convertible corporate bond asset swaps and structured notes, and the related presentation of the gains or losses from derivative financial products in the statement of income was as follows:

	Gains (losses) from derivative financial products – O.T.C	
	2012	**2011**
Value of interest rate swap contracts	$ (1,643)	2,246
Structure notes	5,725	15,807
Foreign currency swaps contract price (Note)	(182)	3,582
Others	(194)	172
Total	**$ 3,706**	**21,807**

Note: Foreign currency swaps contract price is accounted under Other Operating Revenue (Expense).

(c) Fair value of financial products

	December 31,			
	2012		2011	
Financial Assets	**Book Value**	**Fair Value**	**Book Value**	**Fair Value**
Financial assets with book value equal to fair value	$20,949,176	20,949,176	21,172,067	21,172,067
Financial assets measured at fair value through profit or loss – current				
Open-end fund and money market instruments	-	-	50,026	50,026
Securities held for operations	11,036,494	11,036,494	7,432,585	7,432,585
Buy options – trading	2,868	2,868	5,750	5,750
Futures margin - own funds	170,337	170,337	56,853	56,853
Derivative financial assets - OTC	1,584	1,584	194	194
Financial asset designated as at fair value through profit or loss - current	135,414	135,414	-	-
Available-for-sale financial assets - current	-	-	199,159	199,159
Available-for-sale financial assets - non-current	1,229,230	-	1,255,440	-
Total	**$33,525,103**	**33,295,873**	**30,172,074**	**28,916,634**

	December 31,			
	2012		2011	
Financial Liabilities	**Book Value**	**Fair Value**	**Book Value**	**Fair Value**
Financial liabilities with book value equal to fair value	$17,254,842	17,254,842	14,843,310	14,843,310
Financial liabilities measured at fair value through profit or loss - current				
Warrants liabilities	7,412,485	7,412,485	5,163,359	5,163,359
Warrants redeemed	(7,243,135)	(7,243,135)	(5,008,666)	(5,008,666)
Sell options – trading	10,966	10,966	4,454	4,454
Liabilities on sale of borrowed securities - hedged – stock	198,905	198,905	239,555	239,555
Liabilities on sale of borrowed securities - trading	5	5	-	-
Derivative financial liabilities - OTC	-	-	4,051	4,051
Financial liabilities designated at fair value through profit or loss – current	197,745	197,745	35,329	35,329
Total	**$ 17,831,813**	**17,831,813**	**15,281,392**	**15,281,392**

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

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

The fair value of short-term products are estimated using their book value; since such products will mature within a short time, the book value is a reasonable basis to estimate the fair value. Short-term financial products comprise financial assets such as cash and cash equivalents, bond investments under resale agreements, margin loans receivable, refinancing margin, refinancing collateral receivable, security borrowing collateral price, security borrowing margin, notes receivable, accounts receivable, other receivables, restricted assets - current, operation guaranteed deposits, clearing and settlement fund, other assets - refundable deposits, cash and cash equivalents – receipts under custody from exercise of warrant and receipts under custody from customers' security subscription, etc. ;and financial liabilities such as liabilities for bonds with attached repurchase agreements, securities financing refundable deposits, deposits payable for securities financing, securities lending refundable deposits, accounts payable, long-term liability-current portion, other payable, long-term borrowings, other liability - refundable deposits and accrued pension liability - non-current, etc.

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

(3) Available-for-sale financial asset – non-current:

For non-open market of unlisted securities, to estimate its fair value is impracticable.

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

Names of Financial Assets and Financial Liabilities	2012.12.31 Amount by open market price	2012.12.31 Amount by evaluation method
Financial Assets		
Financial assets with book value equal to fair value	$ -	20,949,176
Financial assets measured at fair value through profit or loss – current		
Securities held for operations	11,036,494	-
Buy options - trading	2,868	-
Futures margin - own funds	170,337	-
Derivative financial assets - OTC	-	1,584
Financial assets designated at fair value through profit or loss - current	-	135,414
Available-for-sale financial assets - non-current	-	1,229,230
Financial Liabilities		
Financial liabilities with book value equal to fair value	$ -	17,254,842
Financial liabilities measured at fair value through profit or loss - current		
Warrants liabilities	7,412,485	-
Warrants redeemed	(7,243,135)	-
Sell options - trading	10,966	-
Liabilities on sale of borrowed securities - hedged – stock	198,905	-
Liabilities on sale of borrowed securities - trading	5	-
Financial liabilities designated at fair value through profit or loss - current	-	197,745

Names of Financial Assets and Financial Liabilities	2011.12.31 Amount by open market price	Amount by evaluation method
Financial Assets		
Financial assets with book value equal to fair value	$ -	21,172,067
Financial assets measured at fair value through profit or loss - current		
Open-end fund and money market instruments	50,026	-
Securities held for operations	7,432,585	-
Buy - options- trading	5,750	-
Futures margin - own funds	56,583	-
Derivative Financial assets - OTC	-	194
Available-for-sale financial assets - current	-	199,159
Available-for-sale financial assets - non-current	-	1,255,440
Financial Liabilities		
Financial liabilities with book value equal to fair value	$ -	14,843,310
Financial liabilities measured at fair value through profit or loss - current		
Warrants liabilities	5,163,359	-
Warrants redeemed	(5,008,666)	-
Sell options - trading	4,454	-
Liabilities on sale of borrowed securities – hedged – stock	239,555	-
Derivative financial liabilities - OTC	-	4,051
Financial liabilities designated at fair value through profit or loss - current	-	35,329

(e) Information of financial risk

(1) Market risk

The Company measures bond and equity securities investments at fair value, therefore the investments will expose to the risk of market price in relation to the fluctuation of fixed return and equity markets.

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

(2) Credit risk

The Company's main potential credit risk is from cash and cash equivalents, financial assets at fair value through profit or loss, and receivables from brokerage activities.

To diversify its risk effectively, the Company makes cash deposits in several well-known financial institutions (concentration risk diversification) in order to avoid the risk of cash shortage in each financial institution. Moreover, the Company only deals with high-credit-rating companies for the purpose of eliminating credit risk; in relation to the investment of corporate bond, short-term securities of cash equivalents, the Company purchased from high-credit-rating companies in order to decrease credit risk.

For reducing credit risk, the Company evaluates counterparties' credit rating and evaluate its credit condition on an ongoing basis before entering into a transaction. Moreover, the Company sets a credit limit to each counterparty according to its internal credit evaluation report, in order to reduce credit risk exposure. There is no significant concentration of credit risk within the Company as the Company constantly review the credit rating of its counterparties.

(3) Liquidity risk

The capital and operating fund of the Company can support to execute full obligation of the contract; therefore there is no risk for unable to raise the capital. However, in order to control the liquidity risk of managing the capital effectively, the Company prepares the analysis of the capital gap each operating day in order to cope with the emergency situation.

The Company can quickly sell the both of its non-closing position of futures and option and the investment of equity at fair value in the market. Therefore, the risk of not being able to quickly sell such contracts at fair value in the market is low.

By undertaking the investment of corporate bond swaps, interest rate derivative products, the Company received or paid interest, based on the calculation of nominal principal multiply by the difference of interest rate. The amount of trading was insignificant, and there is no cash outflow or inflow from the principle; therefore, the liquidity risk was comparatively low.

(4) Cash flow risk arising from interest rate change

Short-term and long-term loans of the Company were fixed-rate liabilities. Therefore, changes in market interest rate will not affect its effective interest rate for both short and long term and will not fluctuate its future cash flow.

Bonds Investment of the Company was fixed and floating rate. Therefore, changes in market interest rate will affect its effective interest rate of the bonds investment and will fluctuate its future cash flow.

(f) Risk management and policy

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

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

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

(g) Financial products with the credit risk out of balance sheet : None

(h) Information of the credit risk conspicuously assemble :

Since the Company has widespread clients and does not have any significantly concentrated transaction with a single client, therefore the credit risk of receivables do not concentrate apparently.

5. RELATED-PARTY TRANSACTIONS

(A) Names of related parties and their relationship with the company

Name of related party	Relationship with the Company
Jih Sun Financial Holdings Co., Ltd.	Parent company of the Company
Jih Sun Futures Co., Ltd.	Investee company accounted under the equity method
Jih Sun Securities Investment Consulting Co., Ltd.	〃
Jih Sun Securities Investment Trust Co., Ltd.	〃
Jih Sun International Commercial Bank Co., Ltd.	The investee company under the equity method of the parent company
Jih Sun Life Insurance Agency Co., Ltd.	The investee company under the equity method of Jih Sun International Commercial Bank Co., Ltd.
Jih Sun International Property Insurance Agency Co., Ltd.	The investee company under the equity method of the parent company
JS Cresvale Securities International Ltd.	A third-level subsidiary of the Company
Other related parties	All directors, general managers and their relatives and spouses, etc.

(B) Significant transactions with related parties

(a) For the years ended December 31, 2012 and 2011, brokerage handling fee revenue from securities trading were as follows:

	2012		2011	
Name of related party	Amount	%	Amount	%
Jih Sun International Commercial Bank Co., Ltd.	$ 1,368	-	311	-

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

(b) The bond transactions with attached repurchase/resale agreements with related parties in 2012 and 2011 were as follows:

Liabilities for bonds with attached repurchase agreements:

	2012		2011	
Name of related party	**Interest expense**	**Ending balance**	**Interest expense**	**Ending Balance**
Jih Sun Securities Investment Trust Co., Ltd.	**$ -**	**-**	**8**	**-**

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

(c) Lease

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

Name of related party	2012	2011
Jih Sun International Commercial Bank Co., Ltd.	$ 13,259	12,913
Jih Sun Futures Co., Ltd.	6,056	6,194
Jih Sun Securities Investment Consulting Co., Ltd.	3,290	2,743
Total	**$ 22,605**	**21,850**

The rent with related parties is based on market price and collected by month.

The Company's lease offices and the amounts paid to related parties were as follows:

Name of related party	2012	2011
Jih Sun International Commercial Bank Co., Ltd.	**$ 11,281**	**11,593**

The rent with related parties is based on market price and paid by month.

The guarantee deposits received from related parties were as follows: (recognized as other liabilities - refundable deposits)

	December 31,	
Name of related party	**2012**	**2011**
Jih Sun Futures Co., Ltd.	$ 1,840	1,840
Jih Sun International Commercial Bank Co., Ltd.	2,873	2,873
Jih Sun Securities Investment Consulting Co., Ltd.	547	547
Total	**$ 5,260**	**5,260**

The guarantee deposits paid to related parties were as follows: (recognized as other assets - refundable deposits)

Name of related party	December 31, 2012	December 31, 2011
Jih Sun International Commercial Bank Co., Ltd.	**$ 2,014**	**2,014**

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

Name of Related Party	December 31, 2012 Amount	2012 %	December 31, 2011 Amount	2011 %
Accounts Receivable – related parties				
Jih Sun Futures Co., Ltd.	$ 7,077	100	8,529	100
Jih Sun Securities Investment Trust Co., Ltd.	3	-	3	-
Total	**$ 7,080**	**100**	**8,532**	**100**
Other Receivables				
Jih Sun International Commercial Bank Co., Ltd.	$ 16,637	26	15,933	28
Jih Sun Futures Co., Ltd.	470	1	297	-
Jih Sun Financial Holdings Co., Ltd.	38,543	62	34,890	61
Jih Sun Life Insurance Agency Co., Ltd.	1,171	2	34	-
Jih Sun International Property Insurance Agency Co., Ltd.	35	-	42	-
Total	**$ 56,856**	**91**	**51,196**	**89**

Name of Related Party	December 31, 2012 Amount	2012 %	December 31, 2011 Amount	2011 %
Other Payables				
Jih Sun International Commercial Bank Co., Ltd.	$ 7	-	5	-
Jih Sun Financial Holdings Co., Ltd. (Note 1)	681,960	60	832,207	63
Jih Sun Securities Investment Consulting Co., Ltd.	5,361	1	6,100	-
Jih Sun Futures Co., Ltd.	72	-	-	-
Total	$ **687,400**	**61**	**838,312**	**63**

Note 1:For the years ended December 31, 2012 and 2011, due to the adoption of jointly tax return, income tax payable amounted to $652,692 and $813,190, respectively. Directors' remuneration payable amounted to $10,552 and $5,012, respectively. Interest derived from late payment of income tax payable amounted to $18,716 and $14,005, respectively.

e. Others

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

	2012	2011
Revenue from providing agency service for stock affairs (revenue from computer printing included)	$ 481	481
Futures commission revenue	95,494	130,250
Revenue from utilities expense allocated (custody of receipt and payment)	1,596	1,531
Clearing fees	9	9
Futures margin	2,439	3,738
Futures settlement fund (recorded as other assets-refundable deposits)	44,000	44,000
Board of directors' and remuneration	1,000	1,000
Revenue from information service	1,500	1,500
Futures commission expenses	34	53
Financial income	510	379
Handling fee revenue	57	-
Professional fee	2	-
Prepaid expenses	70	-
Information technology expenses	1	-

(2) Other transactions between Jih Sun International Commercial Bank Co., Ltd. and the Company were as follows:

	2012	2011
Revenue from providing agency service for stock affairs (revenue from computer printing included)	$ 880	720
Revenue from management fee allocated (Note 1)	206,137	209,789
Revenue from utilities expense allocated (custody of receipt and payment)	7,684	7,091
Transaction fees	508	631
Revenues from underwriting business	1,250	-
Bank custodian fees	3	3

Note 1: Refers to the management fee for Jih Sun International Commercial Bank Co., Ltd. to deliver settlement money from customers and other related fees.

For the years ended December 31, 2012 and 2011, the Company's deposit balance in Jih Sun International Commercial Bank Co., Ltd. were as follows:

	Ending balance	Max balance	Interest	Interest rate range
2012	$ 967,772	5,916,963	804	0%~1.45%
2011	761,653	2,366,899	1,905	0%~1.7%

As the deposits mentioned above, the Company recorded them in Cash and Cash Equivalents, Operation Guaranteed Deposits, Other Assets - Refundable Deposits, Debit Items for Trade Brokerage, Cash and Cash Equivalents - Receipts under Custody from Exercise of Warrant and Receipts under Custody from Customers' Security Subscription, etc.

As of December 31, 2012 and 2011, Jih Sun International Commercial Bank Co., Ltd. had approved a guaranteed line of credit amounted to $1,200,000 to the Company, and the loan balances were both $0. As of December 31, 2012 and 2011, the Company had provided securities and time deposits, and securities, respectively, as pledged assets.

The Company acted as Jih Sun Commercial Bank Co., Ltd.'s financial advisor to issue unsecured subordinated financial debentures for the first period of 2012. In order to fund target amounts and to meet their clients' delivery needs, The Company performed initial subscription at primary market which amounted to $1,150,000 and sold all share to subscribers at secondary market on the issuing day.

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

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

	2012	2011
Amounts received in advance	$ 95	-
Professional fee	64,200	73,200
Magazine fee	-	121
Utilities expense (custody of receipt and payment)	909	661
Revenue from information service	48	143

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

	2012	2011
Revenue from providing agency service for stock affairs (revenue from computer printing included)	$ 11,873	$ 11,507
Remuneration of board directors	10,627	5,012
Stock handling fees (custody of receipt and payment)	862	1,013

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

	2012	2011
Revenue from providing agency service for stock affairs	$ 36	57
Remuneration of board directors	200	-
Income from fund rewards	3,889	2,648

(6) Other transactions between Jih Sun Life Insurance Agency Co., Ltd. and the Company were as follows:

	2012	2011
Commission revenue	$ 17,277	574
Revenue from utilities expense allocated (custody of receipt and payment)	56	54

(7) Other transactions between Jih Sun International Property Insurance Agency Co., Ltd. and the Company were as follows:

	2012	2011
Commission revenue	$ 1,943	1,685
Revenue from utilities expense allocated (custody of receipt and payment)	9	11

(8) Other transactions between JS Cresvale Securities International Ltd. and the Company were as follows:

	2012	2011
Brokerage handling fee expenses	$ 2,194	2,382
Handling fee revenues from trade brokerage	78	274
Other operating expense	-	547

(C) Salary information from key management

As of December 31, 2012 and 2011, the salary of the company's directors, supervisors, general managers and vise general managers were as follows :

	2012	2011
Salary	$ 46,525	55,445
Bonus and allowances	16,289	29,028
Executive expenses	1,200	1,201
Employee bonuses	44	22
	$ 64,058	**85,696**

6. PLEDGED ASSETS

Pledged assets	Objects	December 31, 2012	December 31, 2011
Restricted assets – current (time deposits, deposits)	Bank Loan	$ 1,010,318	512,795
Available-for-sale financial assets – non-current	Bank Loan	535,786	549,181
Fixed assets – land	Bank Loan	1,259,205	1,259,205
– building (book value)	〃	334,201	345,183
Cash (recognized as other assets - refundable deposits)	Court Drawing	-	700
Total		**$ 3,139,510**	**2,667,064**

7. SIGNIFICANT COMMITMENTS AND CONTINGENCIES

The Company's significant commitments and contingencies on December 31, 2012 and 2011, were summarized as follows:

(A) As of December 31, 2012 and 2011, the Company had issued post-dated checks for future rental payments, which amounted to $71,281 and $30,837, respectively.

(B) As of December 31, 2012 and 2011, in connection with securities financing activities, the Company held client-owned stocks which amounted to approximately 631,900,172 shares and 724,370,511 shares, respectively; stocks lent out to clients amounted to approximately 49,878,000 shares and 43,879,000 shares, respectively. The Company had received guarantee deposits in full from the clients for the lent securities.

(C) In March 1995, the Company acted as the co-underwriter for Jeng-Yih Company's application for government approval to trade over the counter. Subsequently, Jeng-Yih Company stopped trading over the counter because of a significant amount of notes unpaid. Therefore, the investors had sued the directors and supervisors, the independent auditors, and the underwriters of Jeng-Yih Company for total amount of $71,017. On November 30, 2006 the District Court decided the securities dealers only had to compensate the subscribed party who was in good faith. Moreover, the Company had already compromised with the majority of the investors and paid them off, except for one investor. For the remaining un-reconciled investor, the District court judged the Company only had to pay $24. On December 22, 2006, the un-reconciled investor and the others whose securities were not underwritten by the Company could not accept the judgment from the District Court and appealed to the High Court. During the hearing period of the High Court, the Company had reconciled with the investor who had been judged by the District Court to receive $24 and the investor had revoked the case. The High Court had sided with the Company that it has no responsibilities to pay the compensation for the other investors whose securities were not underwritten by the Company The other investors whose securities were not underwritten by the Company did not accept the judgment and had appealed to the Supreme Court. According to the judgment of the Supreme Court on November 8, 2012, the Company had no compensation liability.

(D) As of December 31, 2012 and 2011, the Company had applied to the court for provisional seizure in connection with protection of its rights related to collateral on defaulted securities transactions. Therefore, the Company made guarantee deposit of $0 and $700 (recorded as guarantee deposit paid) and seized the debtor's assets.

(E) Three customers of the Tai-Chung Branch of the Company alleged that a former employee at the Tai-Chung Branch had sold their stock without their permission, and stolen their bank savings. Therefore, the client requested the Company to be responsible jointly and claimed $82,431 with interest (the amount decreased to $72,899 in the lawsuit). As of December 31, 2009, Taichung District Court had judged that the Company and the former employee were jointly liable for the three plaintiffs amounting $33,968 with statutory interest of 5% from October 21, 2003. During the lawsuit, the Company already reconciled with one of the customers and the remaining part had been denied by Taiwan High Court Tai-Chung Branch on August 9, 2011, and the Company had appealed to Supreme Court on September 1, 2011. The Supreme Court on October 24, 2012 abandoned the original judgment and returned the case to the Taiwan Tai-Chung High Court. The case is still awaiting judgment. The Company had accrued the principal and accumulated interest until December 2012 for the other two customers amounted $31,407.

(F) In July, 2011, the customer of Yong-Kang Branch alleged that he had suffered losses because an employee manipulated his stocks and futures illegally and requested the Company to be responsible jointly and claimed for $13,000. The customer appealed the case and the case is proceeding in the Taiwan Tainan District Court. The Company had determined the case to be a private dispute resulted from authorization between the customer and the operating manager. Thus no additional compensation liability resides to the Company and no accrual shall be booked.

(G) A customer of Xin-Yi branch of the Company alleged that a former employee at the Songshan Branch had encroached customer stocks and remittances. The customer requested the Company and the former employee to be responsible jointly and claimed $29,363. This case is still awaiting Taipei District Court's judgment, and is expected to be in favor of the Company.

(H) The Company made a Letter of Comfort stated positively support to the operation of third level subsidiaries ─ Jih Sun Financial Services (Cayman) Ltd. and JS Cresvale Securities International Ltd., to the financial institution from February 18, 2012 to August 6, 2013.

8. SIGNIFICANT CATASTROPHIC LOSS : NONE

9. SIGNIFICANT SUBSEQUENT EVENTS : NONE

10. OTHERS

(A) Summary of employee expense, depreciation, depletion and amortization

	2012			2011		
	Operating cost	Operating expense	Total	Operating cost	Operating expense	Total
Employee expense						
Payroll	-	1,303,783	1,303,783	-	1,435,921	1,435,921
Insurance	-	102,549	102,549	-	106,395	106,395
Retirement	-	81,780	81,780	-	84,751	84,751
Others	-	36,998	36,998	-	38,831	38,831
Depreciation	-	78,806	78,806	-	77,894	77,894
Amortization	-	11,548	11,548	-	18,761	18,761

(B) Limits on financial ratios and conditions according to rules on futures transactions

As of December 31, 2012 and 2011, disclosures related to the Company's futures department financial ratios, as required by the Rules Governing Futures Commission Merchants, were as follows:

Article	Formula	Current Period		Previous Period		Benchmark	Result
		Calculation	Ratio	Calculation	Ratio		
17	Equities/(Liabilities － Futures Traders' Equity － Futures Trading Loss Reserve － Reserve for Loss on Breaches of Contract)	1,398,247 / 13,416	104.22	1,369,024 / 6,102	224.36	≧1	Meets benchmark
17	Current Assets/Current Liabilities	1,361,663 / 13,416	101.50	1,325,126 / 6,102	217.16	≧1	〃
22	Equities/Minimum Paid-in Capital	1,398,247 / 400,000	350 %	1,369,024 / 400,000	342 %	≧60% ≧40%	〃
22	Adjusted Net Capital/The Total Amount of Margins Required for the Non-offset Position of the Futures Customers	1,373,757 / 39,131	3,511 %	1,361,664 / 154	884,197 %	≧20% ≧15%	〃

Note: The disclosure ratio was calculated at the basis of thousands .

(C) Special risk of futures contracts

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

(D) Foreign currency financial assets and liabilities:

	2012.12.31			2011.12.31		
	Foreign Currency Amount	Spot rate	NTD Amount	Foreign Currency Amount	Spot rate	NTD Amount
Financial Assets:						
Monetary items						
USD	$ 29,459	29.040	855,476	20,801	30.275	629,747
HKD	7,732	3.747	28,972	6,447	3.897	25,124
Others(Note)			1,926			14,821
Non-monetary items						
HKD	-	-	-	6,490	3.897	25,292
Stock Investments measured by equity method						
USD	46,453	29.040	1,348,987	49,761	30.275	1,506,507
Financial liabilities:						
Monetary items						
USD	$ 26,948	29.040	782,564	17,401	30.275	526,828

Note: Other currency amounted less than NTD $20,000 will be disclosed in consolidation.

(E) Under order No.0990004943 issued by Financial Supervisory Commission, Executive Yuan, R.O.C. (FSC), the Company shall disclose, in advance, the related information of IFRSs adoption in the consolidated financial statements. Please refer to the consolidated financial statements of 2012.

11. Disclosures Required

(A) Related information on significant transactions:

(a) Loans to other businesses or individuals: none.

(b) Endorsements and guarantees for others: none.

(c) Acquisition of real estate exceeding $100,000 or 20% of paid-in capital: none.

(d) Disposal of real estate exceeding $100,000 or 20% of paid-in capital: none.

(e) Discount on commission fees for transactions with related parties up to $5,000: none.

(f) Receivables from related parties up to $100,000 or 20% of paid-in capital: none.

(B) Related information on investee companies:

(a) Related information regarding the name and the location of the investee companies:

Unit: share/ thousand dollar

Names of Investor	Names of Investee company	Address	Main Business scope	Initial investment: The end of this year	Initial investment: The end of last year	Period-end holding balance: Shares	Period-end holding balance: Percentage	Period-end holding balance: Book Value	Investee company's current profit and loss	Investment income (loss) recognized by the Company	Remark
Jih Sun Securities Co., Ltd.	Jih Sun Futures Co., Ltd.	4F, No.111, Sec.2, Nanjing E. Rd., Taipei	Futures brokerage and proprietary trading	618,268	618,268	68,696,435	98.14%	1,379,956	103,092	101,172	subsidiary
〃	Jih Sun International Investment Holding Co., Ltd.	Floor 4, Willow House, Cricket Square, P O Box 2804, Grand Cayman KY1-1112 , Cayman Islands	Investee companies operate following business: 1.Securities brokerage and proprietary trading 2.Underwriting 3.Securities research and analysis 4.Corporate and individual financial planning 5.Financing business 6.Investment trust 7. Futures	1,795,250	1,795,250	54,600,000	100%	1,348,987	(100,123)	(100,123)	〃
〃	Jih Sun Securities Investment Consulting Co., Ltd.	7F, No.111, Sec.2, Nanjing E. Rd., Taipei	Provide advisory and consulting related with securities investment on a consigned basis	173,600	173,600	10,000,000	100%	77,436	13,135	13,170	〃
〃	Jih Sun Securities Investment Trust Co., Ltd.	5F, No.139, Sec.2, Nanjing E. Rd., Taipei	Securities investment trust business and discretionary investment business	211,380	211,380	7,800,000	20%	230,256	66,477	13,295	〃
Jih Sun International Investment Holding Co., Ltd.	JS Cresvale Securities International Ltd.	18F, Euro Trade Centre, 21-23 Des Voeux Road, Central, Hong Kong,HK	Brokerage, proprietary trading underwriting, other related securities business authorized by Hong Kong Act.	USD47,160	USD37,234	370,000,000	100%	USD 35,706	USD (4,176)	USD (4,176)	third-level subsidiary
〃	Jih Sun Financial Services (Cayman) Ltd.	Floor 4, Willow House, Cricket Square, P O Box 2804, Grand Cayman KY1-1112 , Cayman Islands	1.Securities brokerage proprietary trading, underwriting and financing service 2. Corporate and individual financial planning 3.Design of Financial products 4.Other related securities business authorized by local government.	USD8,050	USD18,050	8,050,000	100%	USD8,200	USD 723	USD 723	〃
〃	Jih Sun Capital Management Ltd.	P.O.Box146,RoadTown, Tortola, British VirginIslands	1.Overseas Fund management 2.Overseas Asset management 3. Other related Asset management business authorized by local government 4. proprietary trading	USD 100	USD 100	100,000	100%	USD 1,977	USD 69	USD 69	〃
JS Cresvale Securities International Ltd.	JS Cresvale Capital Ltd. (JS Cresvale Financing Ltd.)	18F, Euro Trade Centre, 21-23 Des Voeux Road, Central, Hong Kong,HK	1. Stock brokerage, margin trading 2. Futures brokerage、 sales of mutual funds& other financial product. 3. Other related securities business authorized by local government.	HKD20,000	HKD20,000	2,000,000	100%	HKD 20,492	HKD (225)	HKD (225)	〃

(b) Loans to other businesses or individuals: none.

(c) Endorsements and guarantees for others: none.

(d) Acquisition of real estate exceeding $100,000 or 20% of paid-in capital: none.

(e) Disposal of real estate exceeding $100,000 or 20% of paid-in capital: none.

(f) Discount on commission fees for transactions with related parties up to $5,000: none.

(g) Receivables from related parties up to $100,000 or 20% of paid-in capital: none.

(C) Information on investments in mainland China: none.

(D) Related information regarding countries and regions of securities business investee without securities authority:

Pursuant to Securities and Futures Bureau (SFB) (92) Tai-Cai- Zheng- Zi(2) No. 0920004507 dated October 31, 2003, the disclosures related to the Company's investment in foreign enterprises of British Virgin Islands and so on for the year ended December 31, 2012, were as follows:

(a) Concise balance sheet statement and income statement

(1) Balance sheet statement

Unit: USD

Company / Items	Jih Sun International Investment Holding Co., Ltd.	Jih Sun Financial Services (Cayman) Ltd.	Jih Sun Capital Management Ltd.
Current Assets	USD$ 570,140	USD $20,889,270	USD$ 1,980,557
Fund and Investments	45,883,260	2	-
Current Liabilities	690	12,689,103	3,250
Capital Stock	54,600,000	8,050,000	100,000
Retained Earnings	(8,071,093)	150,169	1,877,307
Cumulative Translation Adjustments	(76,197)	-	-
Total Assets	46,453,400	20,889,272	1,980,557
Total Liabilities	690	12,689,103	3,250
Shareholders' Equity	46,452,710	8,200,169	1,977,307

(2) Income statement

Unit: USD

Company / Items	Jih Sun International Investment Holding Co., Ltd.	Jih Sun Financial Services (Cayman) Ltd.	Jih Sun Capital Management Ltd.
Operating Income	USD$ -	USD$ 1,140,514	USD$ -
Operating Expenses	(3,388,487)	(492,486)	(5,145)
Non-Operating Income	2,890	76,736	74,415
Non-Operating Expence	-	(1,542)	-
Net Gain(Loss) Before Taxes	(3,385,597)	723,222	69,270
Net Gain(Loss) After Taxes	(3, 385,597)	723,222	69,270

(b) Marketable securities held as of December 31, 2012:

Unit: share/ USD

Name of company holding securities	Marketable securities type and name	Account	2012.12.31 Shares	2012.12.31 Amount
Jih Sun Interational Investment Holding Co., Ltd.	JS Cresvale Securities International Ltd.	Long-term Investment under equity method	370,000,000	$ 35,705,784
	Jih Sun Financial Services(Cayman) Ltd	〃	8,050,000	8,200,169
	Jih Sun Capital Management Ltd.	〃	100,000	1,977,307
	Total			**$ 45,883,260**
Jih Sun Financial Services (Cayman) Ltd.	Securities, Bonds and Beneficiary Certificate:			
	Balance of less than USD3,000,000	Financial assets measured at fair value through profit or loss-current		$ 12,382,962
	Derivative Products:			
	Collateralized Debt Obligations (CDO)	Financial assets measured at fair value through profit or loss-current		-
	Subtotal			12,382,962
	GCS Holding Inc.	Available-for-sale financial assets- non-current	25,000	1
	Caprion Corp.	〃	1,773	1
	Subtotal			2
	Total			**$ 12,382,964**

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

Financial derivative instrument transaction and the origin of capital source are disclosed in note 11(D).2 Jih Sun International Investment Holding Co., Ltd. invests the subsidiary based on its own reserve. Jih Sun Financial Services(Cayman) Ltd. engaged in financial derivative instrument transactions based on its own reserve and the capital gained from conditional transactions and the accumulated unrealized evaluated losses of derivative instrument were amounting to USD $ 4,452.

(d) Related-party transactions:

Jih Sun International Investment Holding Co., Ltd. Jih Sun Financial Services(Cayman) Ltd., and Jih Sun Capital Management Ltd. had no significant transactions with related-party in year 2012.

(e) Lawsuit events:

Jih Sun International Investment Holding Co., Ltd. Jih Sun Financial Services(Cayman) Ltd., and Jih Sun Capital Management Ltd. had no lawsuits in year 2012.

12. OPERATING SEGMENTS INFORMATION

For operating segments information, please refer to the consolidated financial statements.

JIH SUN SECURITIES CO., LTD. － FUTURES DEPARTMENT

SEGMENT FINANCIAL INFORMATION DISCLOSURE

AS OF DECEMBER 31, 2012 and 2011

Contents

(English Translation of Financial Report Originally Issued in Chinese)
Jih Sun Securities Co., Ltd. － Futures Department
Balance Sheets
December 31, 2012 and 2011
(expressed in thousands of New Taiwan dollars)

	December 31,			
	2012		2011	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and Cash Equivalents (Note 4(A))	$ 1,189,669	84	1,265,232	92
Financial Assets Measured at Fair Value through Profit or Loss - Current (Note 4(B))	170,766	12	58,865	4
Prepayments	1,021	-	870	-
Other Receivables	204	-	156	-
Other Receivables –Related Parties (Note5)	3	-	3	-
Total current assets	1,361,663	96	1,325,126	96
OTHER ASSETS				
Operation Guaranteed Deposits (Note 4(C))	10,000	1	10,000	1
Clearing and Settlement Fund	40,000	3	40,000	3
Total other assets	50,000	4	50,000	4
TOTAL ASSETS	**$1,411,663**	**100**	**1,375,126**	**100**

	December 31,			
	2012		2011	
LIABILITIES AND STOCKHOLDERS' EQUITY	**Amount**	**%**	**Amount**	**%**
CURRENT LIABILITIES				
Financial Liabilities Measured at Fair Value through Profit or Loss - Current	$ 10,966	1	4,454	-
Accounts Payable	391	-	87	-
Other Payable	2,059	-	1,561	-
Total current liabilities	13,416	1	6,102	-
TOTAL LIABILITIES	13,416	1	6,102	-
STOCKHOLDERS' EQUITY				
Assigned Working Capital	1,400,000	99	1,400,000	102
Accumulated Deficit	(1,753)	-	(30,976)	(2)
TOTAL STOCKHOLDERS' EQUITY	1,398,247	99	1,369,024	100
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**$ 1,411,663**	**100**	**1,375,126**	**100**

(See the accompanying notes to the financial statements)

(English Translation of Financial Report Originally Issued in Chinese)
Jih Sun Securities Co., Ltd. － Futures Department
Statements of Income
For the years ended December 31, 2012 and 2011
(expressed in thousands of New Taiwan dollars)

Items	2012 Amount	2012 %	2011 Amount	2011 %
REVENUES (Note 2(I))				
Gains from Derivative Financial Products (Note 4(D))	$ 279,907	96	119,708	93
Non-Operating Revenues and Gains (Note 5(B))	10,258	4	8,783	7
	290,165	100	128,491	100
EXPENDITURE				
Proprietary Handling Fee Expense	4,116	1	846	1
Futures Commission Expense	1,028	-	231	-
Expense of Clearing and Settlement	2,790	1	569	-
Losses from Derivative Financial Products (Note 4(D))	243,796	84	107,754	84
Operating Expenses	7,190	3	3,731	3
Non-Operating Expense and Loss	283	-	110	-
	259,203	89	113,241	88
Net Income from Continuing Operations Before Income Tax	30,962	11	15,250	12
Income Tax Expense	1,739	1	1,470	1
Net Income	**$ 29,223**	**10**	**13,780**	**11**

(See the accompanying notes to the financial statements)

(English Translation of Financial Report Originally Issued in Chinese)

JIH SUN SECURITIES CO., LTD. － FUTURES DEPARTMENT

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2012 AND 2011

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

1. OVERVIEW

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

2. SIGNIFICANT ACCOUNTING POLICIES

The Company's financial statements were prepared in accordance with the "Regulations Governing the Preparation of Financial Statements by Futures Commission Merchants" and "Generally Accepted Accounting Principles in the Republic of China". A summary of significant accounting policies and the bases of measurement are as follows:

(A) Accounting estimate

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

(B) Asset impairment

In accordance with Financial Accounting Standards (SFAS) No. 35 "Impairment of Assets," 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.

(C) Foreign currency transactions and translation of foreign currency financial statement

The Company records transactions in New Taiwan dollars. Monetary assets and liabilities denominated in foreign currencies are revalued at the spot rate on the balance sheet date. According to amended Statement of Financial Accounting Standards (SFAS) No. 14 "The Effects of Changes in Foreign Exchange Rates," non-monetary assets or liabilities denominated in foreign currencies are measured at the historical exchange rate of the transaction date. Non-monetary assets or liabilities denominated in foreign currencies that are measured at fair value are translated into the functional currency using the spot rate at the balance sheet date. If the non-monetary assets or liabilities are measured at fair value through profit or loss, the resulting unrealized exchange income (loss) from such translations is reflected in the accompanying statements of income. If the non-monetary assets or liabilities are measured at fair value through stockholders' equity, the resulting unrealized exchange income (loss) from such translations is recorded as a separate adjustment component of stockholders' equity.

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

(D) Classification of assets and liabilities as current or non-current

Current assets are those which will be converted into cash or be used up within 12 months; all the other assets are classified as non-current assets.

Current liabilities are those which will be paid off in 12 months; all the other liabilities are classified as non-current liabilities.

(E) Cash and cash equivalents

Cash and cash equivalents include cash on hand, bank savings, and short-term investments that are readily convertible to fixed amounts of cash and the interest rate fluctuations have little effect on their values with a short term maturity.

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

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

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

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

(a) Products acquired primarily for the purpose of sale or repurchase in the near term.

(b) Assets that are part of a group of distinct financial product portfolios under comprehensive management, where there is evidence that in the near term the group is in fact being managed for short-term profit.

(c) Financial derivative products (except for financial guaranteed contract and derivative products of effective hedging).

Financial assets held for trading shall be stated under their respective categories, according to trading purpose, as securities held for operations or as derivative financial products.

Financial assets measured at fair value through profit or loss should be measured at fair value. Fair value shall be recognized at the closing price of the balance sheet date.

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

Since July 1, 2008, the Company reclassified the financial assets at fair value through profit or loss (not belong to derivative products) as the financial assets available for sale in compliance with the second revised article of SFAS No. 34. "Financial Instruments: Recognition and Measurement". The above change had no effects on the department.

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

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

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

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

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

(a) Liabilities incurred primarily for the purpose of repurchase in the near term.

(b) Liabilities that are part of a group of distinct financial product portfolios under comprehensive management, where there is evidence that in the near term the group is in fact being managed for short-term profit.

(c) Derivative financial liabilities.

(d) Financial assets held for trading whose subsequent valuations measured at fair value as negative.

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

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

(H) Assigned working capital

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

(I) Recognition of revenue

Revenue is recognized when realized or realizable and earned.

(J) Income tax

The Company adopted Statement of Financial Accounting Standards No. 22, "Income Taxes", in allocating inter- and intra-period income taxes. Deferred income tax liabilities are recognized for future taxable temporary differences and deferred income tax assets are recognized for future deductible temporary differences, prior year loss carry forwards and investment tax credits. The future realization of deferred income tax assets is assessed, and a valuation account, if needed, is provided accordingly.

3. REASONS FOR AND EFFECT OF ACCOUNTING CHANGES：

Effective from January 1, 2011, the Company adopted the third amendment of SFAS No. 34 "Financial Instruments: Recognition and Measurement." In accordance with SFAS No. 34, loans and receivables should apply the regulations on recognition, subsequent evaluation, and impairment in SFAS No. 34. Aforementioned changes in accounting principles have no significant impact on financial statement's net income of 2011.

4. SUMMARY OF MAJOR ACCOUNTS

(A) Cash and cash equivalents

	December 31,	
	2012	2011
Savings accounts	$ 9,685	132,007
Time deposit	850,000	-
Short – term paper	329,984	1,133,225
Total	**$ 1,189,669**	**1,265,232**

(B) Financial assets measured at fair value through profit or loss - current

	December 31, 2012	December 31, 2011
Buy options - trading	$ 2,868	5,750
Futures margin - own funds	167,898	53,115
Total	**$ 170,766**	**58,865**

(C) Operation guaranteed deposits

In compliance with the "Regulations Governing Futures Commission Merchants", as of December 31, 2012 and 2011, the Company's futures department had both provided $10,000 of operation guaranteed deposits.

(D) Related information of financial products

(a) Financial Derivatives Products:

(1) Contract amount and fair value

As of December 31, 2012 and 2011, the Company's futures contracts were as follows:

Items	Transaction Type	Open Interest: Holder/Seller	Open Interest: Volume	Contract Amount or Paid (Received) Premiums	Fair Value	Notes
Dec. 31, 2012						
Futures	Stock Futures	Holder	254	$ 64,857	66,563	Trading
〃	Taiwan Stock Index Futures	〃	2	3,012	3,066	〃
〃	Electrical Sector Index Futures	〃	1	1,156	1,153	〃
〃	Finance Sector Index Futures	〃	15	12,628	12,597	〃
〃	MSCI Taiwan Stock Index Futures	〃	6	4,799	4,791	〃
Total			**278**	**$ 86,452**	**88,170**	
Options	TAIEX Options - Call	Holder	46	$ 175	388	Trading
〃	TAIEX Options - Put	〃	1,810	2,614	2,480	〃
Total			**1,856**	**$ 2,789**	**2,868**	
Futures	Stock Futures	Seller	203	$ (21,882)	(22,264)	Trading
〃	Taiwan Stock Index Futures	〃	88	(135,115)	(135,115)	〃
Total			**291**	**$ (156,997)**	**(157,379)**	
Options	TAIEX Options - Call	Seller	1,663	$ (4,560)	(5,021)	Trading
〃	TAIEX Options - Put	〃	1,444	(6,417)	(5,945)	〃
Total			**3,107**	**$ (10,977)**	**(10,966)**	

		Open Interest		Contract Amount or Paid (Received) Premiums		
Items	**Transaction Type**	**Holder/ Seller**	**Volume**		**Fair Value**	**Notes**
Options	TAIEX Options - Put	Holder	579	$ 3,452	3,578	Trading
〃	TAIEX Options - Call	〃	459	2,305	2,172	〃
Total			**1,038**	**$ 5,757**	**5,750**	
Futures	TAIEX Futures	Seller	**15**	**$ (21,151)**	**(21,117)**	Trading
Options	TAIEX Options - Put	Seller	521	$ (2,189)	(1,911)	Trading
〃	TAIEX Options - Call	〃	310	(2,321)	(2,543)	〃
Total			**831**	**$ (4,510)**	**(4,454)**	

The above-mentioned fair value is mainly calculated based upon the closing price of futures and options on the Taiwan Futures Exchange as of December 31, 2012 and 2011.

(2) Credit risk

The Company's transaction counter-party for futures and options contracts is the Taiwan Futures Exchange, which is unlikely to result in credit risk.

(3) Market value risk

The futures currently trading under Taiwan Stock Index Financial Index Futures and Options, the futures' price will fluctuate based upon the stock market trend, the Company has implemented stop loss points based upon the related risk, and the loss incurred should be within the expected range. Therefore, there is no significant market value risk.

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

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

(5) Presentation of financial derivative products in the financial statements

The Company engaged in financial index futures and options transactions for trading purpose. Gains or losses as a result of evaluation, offset, settlement and maturity are recognized as current gain or loss. Futures margin and premiums derived from futures transaction and the difference calculated by market value are accounted under futures margin-own funds in current assets, premiums paid for options contract are recorded as buy options or sell options and evaluated by fair value method at the end of the period.

(b) Fair value of financial products

	December 31,			
	2012		2011	
Financial Assets	**Book Value**	**Fair Value**	**Book Value**	**Fair Value**
Financial assets with book value equal to fair value				
Cash and cash equivalents	$ 1,189,669	1,189,669	1,265,232	1,265,232
Other receivables	204	204	156	156
Other receivables - related parties	3	3	3	3
Operation guaranteed deposits	10,000	10,000	10,000	10,000
Clearing and settlement fund	40,000	40,000	40,000	40,000
Financial asset measured at fair value through profit or loss - current				
Buy options - trading	2,868	2,868	5,750	5,750
Futures margin - own funds	167,898	167,898	53,115	53,115
TOTAL	**$ 1,410,642**	**1,410,642**	**1,374,256**	**1,374,256**

	December 31,			
	2012		2011	
Financial Liabilities	**Book Value**	**Fair Value**	**Book Value**	**Fair Value**
Financial liabilities with book value equal to fair value				
Accounts payable	$ 391	391	87	87
Other payable	2,059	2,059	1,561	1,561
Financial liabilities measured at fair value through profit or loss - current				
Sell options - trading	10,966	10,966	4,454	4,454
TOTAL	**$ 13,416**	**13,416**	**6,102**	**6,102**

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

(1) The fair values of short-term financial products are estimated using their book value shown on the balance sheet. Since such products will mature within a short time, book value is a reasonable basis to estimate the fair value. Short-term financial products comprise cash and cash equivalents, other receivables, other receivables – related parities, operation guaranteed deposits, clearing and settlement fund, accounts payable, other payable and other items.

(2) Open–end fund and money market instruments, call option contract, and future contracts:

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

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

	2012.12.31	
Financial Assets	**Amount by open market price**	**Amount by evaluation method**
Financial assets with book value equal to fair value	$ -	1,239,876
Buy options - trading	2,868	-
Futures margin - own funds	167,898	-
Financial liabilities		
Financial liabilities with book value equal to fair value	-	2,450
Sell options - trading	10,966	-

	2011.12.31	
Financial Assets	**Amount by open market price**	**Amount by evaluation method**
Financial assets with book value equal to fair value	$ -	1,315,391
Buy options - trading	5,750	-
Futures margin - own funds	53,115	-
Financial liabilities		
Financial liabilities with book value equal to fair value	-	1,648
Sell options - trading	4,454	-

(d) Information of financial risk

(1) Market risk

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

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

(2) Credit risk

The Company's main potential credit risk is from cash and cash equivalents, financial assets at fair value through profit or loss, and other receivables, operating guaranteed deposits and financial instrument of clearing and settlement fund from brokerage activities.

To diversify its risk effectively, the Company makes cash deposits in several well-known financial institutions (concentration risk diversification) in order to avoid the risk of cash shortage in each financial institution. Moreover, the Company only deals with high-credit-rating companies for the purpose of eliminating credit risk; in relation to the investment of short-term securities of cash equivalents, the Company purchased from high-credit-rating companies in order to decrease credit risk.

For reducing credit risk, the Company evaluates counterparties' credit rating and evaluates its credit condition on an ongoing basis before entering into a transaction. Moreover, the Company sets a credit limit to each counterparty according to its internal credit evaluation report, in order to reduce credit risk exposure. There is no significant concentration of credit risk within the Company as the Company constantly review the credit rating of its counterparties.

(3) Liquidity risk

The capital and operating fund of the Company can support to execute full obligation of the contract; therefore there is no risk for unable to raise the capital. However, in order to control the liquidity risk of managing the capital effectively, each operating date, the Company prepares the analysis of the capital gap in order to cope with the emergency situation.

The Company can quickly sell the both of its non-closing position of futures and options and the investment of equity at fair value in the market. Therefore, the risk of not being able to quickly sell such contracts at fair value in the market is low.

(4) Cash flow risk arising from interest rate change

Bonds Investment of the Company was fixed and floating rate. Therefore, changes in market interest rate will affect its effective interest rate of the bonds investment and will fluctuate its future cash flow.

(e) Risk management and policy

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

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

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

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

(g) Information of the credit risk conspicuously assemble :

Since the Company has widespread clients and does not have any significantly concentrated transaction with a single client, therefore the credit risk of receivables do not concentrate apparently.

5. RELATED-PARTY TRANSACTIONS

(A) Names of related parties and their relationship with the company

Name of related party	Relationship with the Company
Jih Sun International Commercial Bank Co., Ltd.	The investee company under the equity method of the parent company
Jih Sun Futures Co., Ltd.	Investee company accounted under the equity method

(B) Significant transactions with rRelated parties

(a) The Company's deposit balance in Jih Sun International Commercial Bank Co., Ltd. were as follows:

	December 31,			
	2012		2011	
Bank Deposit	**Amount**	**%**	**Amount**	**%**
Saving account	$ 1,081	-	6,588	1
Time deposits (Note)	10,000	1	10,000	1
Total	**$ 11,081**	**1**	**16,588**	**2**

(Note) As of December 31, 2012 and 2011, the amount of Company's time deposits in Jih Sun International Commercial Bank Co., Ltd. were operation guaranteed deposits amounted to $10,000.

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

	December 31,			
	2012		2011	
Name of Related Party	**Amount**	**%**	**Amount**	**%**
Other Receivables				
Jih Sun International Commercial Bank Co., Ltd.	**$ 3**	**1**	**3**	**2**

(c) The Company's interest income form Jih Sun International Commercial Bank Co., Ltd. for $65 and $39 in 2012 and 2011, respectively.

6. PLEDGED ASSETS : NONE

7. SIGNIFICANT COMMITMENTS AND CONTINGENCIES : NONE

8. SIGNIFICANT CATASTROPHIC LOSS : NONE

9. RELATED INFORMATION ON FINANCIAL DERIVATIVE PRODUCTS

For related information on derivative financial products trading as of December 31, 2012 and 2011, please refer to Note 4(D)(a).

10. LIMITS ON FINANCIAL RATIOS AND CONDITIONS ACCORDING TO RULES ON FUTURES TRANSACTIONS

Article	Formula	Current Period		Previous Period		Benchmark	Result
		Calculation	Ratio	Calculation	Ratio		
17	Equities/(Liabilities － Futures Traders' Equity － Trading Loss Reserve － Reserve for Loss on Breaches of Contract)	1,398,247 13,416	104.22	1,369,024 6,102	224.36	≧1	Meets benchmark
17	Current Assets/Current Liabilities	1,361,663 13,416	101.50	1,325,126 6,102	217.16	≧1	〃
22	Equities/Minimum Paid-in Capital	1,398,247 400,000	350%	1,369,024 400,000	342%	≧60% ≧40%	〃
22	Adjusted Net Capital/The Total Amount of Margins Required for the Non-offset Position of the Futures Customers	1,373,757 39,131	3,511%	1,361,664 154	884,197%	≧20% ≧15%	〃

Note: The disclosure ratio was calculated on the basis of thousands.

11. SPECIAL RISK OF FUTURES COMMISSION MERCHANT BUSINESS

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

12. SEGMENT FINANCIAL INFORMATION DISCLOSURE : NONE

13. SIGNIFICANT SUBSEQUENT EVENTS : NONE

14. RELATED INFORMATION ON SIGNIFICANT TRANSACTIONS:

(A) Loans to other businesses or individuals: none.

(B) Endorsements and guarantees for others: none.

(C) Acquisition of real estate exceeding $100,000 or 20% of paid-in capital: none.

(D) Disposal of real estate exceeding $100,000 or 20% of paid-in capital: none.

(E) Discount on commission fees for transactions with related parties up to $5,000: none.

(F) Receivables from related parties up to $100,000 or 20% of paid-in capital: none.

15. RELATED INFORMATION ON INVESTEE COMPANIES: NONE

16. INFORMATION ON INVESTMENTS IN MAINLAND CHINA : NONE

17. OTHERS : NONE