

JIH SUN FINANCIAL HOLDING CO., LTD.
Financial Statements for the Years Ended December 31,
2003 and 2002
and
Independent Auditors' Report

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JIH SUN FINANCIAL HOLDING CO., LTD.

Financial Statements

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Independent Auditors' Report

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

We have audited the accompanying balance sheets of Jih Sun Financial Holding Co., Ltd. as of December 31, 2003 and 2002, and the related statements of income, changes in stockholders' equity and cash flows for the year ended December 31, 2003, and for the period from February 5, 2002 to December 31, 2002. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

As described in Note 4, in accordance with the Law Governing Merger of Financial Institutions and BOMA Letter Ruling (3) 0913000051, Jih Sun International Bank, Ltd., the Company's long-term investment accounted for under the equity method, amortized loss on sale of non-performing loans over 5 years, with the unamortized remaining balance reflected as deferred expense. If the loss on sale of non-performing loans were recognized currently, due to tax effects, long-term investments would be decreased by \$3,976,610 and accumulated deficit would be increased by \$4,991,916, as of December 31, 2003 and 2002. Additionally, net loss would be decreased by \$1,015,306 and would be increased by \$4,991,916, respectively, for the year ended December 31, 2003 and for the period from February 5, 2002 to December 31, 2002.

In our opinion, except for the effects of not recognizing currently the loss on non-performing loans as discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of Jih Sun Financial Holding Co., Ltd. as of December 31, 2003 and 2002, and the results of its operations and its cash flows for the year ended December 31, 2003, and for the period from February 5, 2002 to December 31, 2002, in conformity with "Regulations Governing the Preparation of Financial Statements for Financial Holding Companies" and generally accepted accounting principles of the Republic of China.

Jih Sun Financial Holding Co., Ltd. has prepared consolidated financial statements, on which we have expressed a qualified opinion.

Taipei, Taiwan, R.O.C.
February 15, 2004

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

JIH SUN FINANCIAL HOLDING CO., LTD.
BALANCE SHEETS
December 31, 2003 and 2002
(New Taiwan Dollars in Thousands)

	December 31, 2003		December 31, 2002	
	Amount	%	Amount	%
<u>ASSETS</u>				
Current assets:				
Cash (Note 3)	\$ 2,715	-	162,479	1
Other Receivables (Note 15)	167,450	1	896	-
Deferred income tax assets-current (Note 10)	-	-	10,000	-
Prepayments and Others	1	-	48	-
	170,166	1	173,423	1
Long-term equity investments (Notes 4 and 16)	29,853,298	99	29,319,636	99
Other financial assets - non-current				
Refundable deposits	978	-	1,956	-
Properties-net (Note 5)	1,239	-	13,312	-
Other assets				
Deferred expense	4,340	-	-	-
TOTAL ASSETS	\$ 30,030,021	100	29,508,327	100
<u>LIABILITIES AND STOCKHOLDERS' EQUITY</u>				
Current Liabilities:				
Short-term borrowings (Note 6)	\$ 351,000	1	200,000	1
Commercial paper payable (Note 7)	4,993	-	294,508	1
Payables (Note 15)	167,288	-	1,118	-
Other current liabilities	1,404	-	1,921	-
Total current liabilities	524,685	1	497,547	2
Long-term Liabilities:				
Long-term borrowings (Note 8)	200,000	1	-	-
Total liabilities	724,685	2	497,547	2
Stockholders' Equity				
Capital stock				
Common stock (Note 11)	22,532,732	75	21,947,600	74
Capital surplus (Note 11)	10,147,555	34	10,079,903	34
Retained earnings				
Accumulated deficit (Note 12)	(1,401,274)	(5)	(945,017)	(3)
Other adjustments to stockholders' equity:				
Cumulative translation adjustments (Note 4)	(31,748)	-	(7,797)	-
Net loss not recognized as pension cost (Note 4)	(34)	-	-	-
Treasury stock - common stock (Note 11)	(1,941,895)	(6)	(2,063,909)	(7)
Total stockholders' equity	29,305,336	98	29,010,780	98
Significant Commitments and Contingencies (Note 17)				
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 30,030,021	100	29,508,327	100

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

JIH SUN FINANCIAL HOLDING CO., LTD.

STATEMENTS OF INCOME

Year Ended December 31, 2003 and the period from February 5, 2002 to December 31, 2002

(New Taiwan Dollars in Thousands, Except for EPS)

	From January 1, 2003 to December 31, 2003		From February 5, 2002 to December 31, 2002	
	Amount	%	Amount	%
Operating Revenues:				
Gain on trading of securities	\$ 404	100	921	100
Operating Costs				
Loss on investments recognized under the equity method, net (Notes 4)	408,467	101,106	914,757	99,322
Gross Margin	(408,063)	(101,006)	(913,836)	(99,222)
Operating expense	43,668	10,809	43,574	4,731
Operating loss	(451,731)	(111,815)	(957,410)	(103,953)
Nonoperating income				
Interest income	1,059	262	6,457	701
Other income	9,016	2,232	-	-
Gain on sale of Properties	110	27	-	-
	10,185	2,521	6,457	701
Nonoperating expense				
Interest expense	3,901	966	2,483	270
Income Before Income Tax	(445,447)	(110,259)	(953,436)	(103,522)
Income (Expense) Tax Benefit (Note 10)	(10,000)	(2,475)	10,000	1,086
Net Income	<u>\$ (455,447)</u>	<u>(112,734)</u>	<u>\$ (943,436)</u>	<u>(102,436)</u>
	Before income tax	After income tax	Before income tax	After income tax
Basic EPS (Note 13)	<u>\$ (0.22)</u>	<u>(0.22)</u>	<u>(0.48)</u>	<u>(0.47)</u>

Pro forma data assuming Company shares in which subsidiaries trade or invest in are not considered treasury stock:

Net Income	<u>\$ (425,544)</u>	<u>\$ (1,403,140)</u>
	Before income tax	After income tax
Basic EPS	<u>\$ (0.20)</u>	<u>(0.21)</u>
	Before income tax	After income tax
	<u>(0.65)</u>	<u>(0.65)</u>

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

JIH SUN FINANCIAL HOLDING CO., LTD.
STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
Year Ended December 31, 2003 and the period from February 5, 2002 to December 31, 2002
(New Taiwan Dollars In Thousands)

	Common stock	Capital surplus	Accumulated deficit	Cumulative translation adjustments	Net loss not recognized as pension cost	Treasury stock - common stock	Total
Established on February 5, 2002 through stock conversion	\$ 21,947,600	10,061,508	-	-	-	(1,142,696)	30,866,412
Net income for the period from February 5, 2002 to December 31, 2002	-	-	(943,436)	-	-	-	(943,436)
Recognition of translation adjustment of subsidiaries	-	-	-	(7,797)	-	-	(7,797)
Purchase of treasury stock	-	-	-	-	-	(330,581)	(330,581)
Parent shares held by subsidiaries trade or invest in are considered treasury stock	-	-	-	-	-	(630,350)	(630,350)
Treasury stock transactions of subsidiaries	-	-	(1,581)	-	-	12,049	10,468
Decrease in unappropriated earnings due to non-subscription of newly issued investee shares according to ownership	-	18,395	-	-	-	27,669	46,064
Ending Balance - December 31, 2002	\$ 21,947,600	10,079,903	(945,017)	(7,797)	-	(2,063,909)	29,010,780
Net income for the period from January 1, 2003 to December 31, 2003	-	-	(455,447)	-	-	-	(455,447)
Recognition of translation adjustment of subsidiaries	-	-	-	(23,828)	-	-	(23,828)
Net loss not recognized as pension cost of subsidiaries	-	-	-	-	(34)	-	(34)
Treasury stock transaction of subsidiaries	-	2,861	(810)	-	-	131,228	133,279
Second stock conversion of security subsidiaries	623,778	64,287	-	(123)	-	(47,356)	640,586
Retirement of treasury stock	(38,646)	504	-	-	-	38,142	-
Ending Balance - December 31, 2003	\$ 22,532,732	10,147,555	(1,401,274)	(31,748)	(34)	(1,941,895)	29,305,336

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

JIH SUN FINANCIAL HOLDING CO., LTD.

STATEMENTS OF CASH FLOWS

Year Ended December 31, 2003 and the period from February 5, 2002 to December 31, 2002

(New Taiwan Dollars in Thousands)

	From January 1, 2003 to December 31, 2003	From February 5, 2002 to December 31, 2002
Cash flows from operating activities:		
Net income	\$ (455,447)	(943,436)
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Loss on investments recognized under the equity method over cash dividends received	1,216,341	1,965,161
Depreciation	913	739
Amortization	700	-
Gain on sale of property	(110)	-
Changes in operating assets and liabilities:		
Other receivables	(166,554)	(896)
Deferred income tax assets	10,000	(10,000)
Other prepayments	47	(48)
Other payables	166,170	1,118
Other current liabilities	(517)	1,921
Net cash provided by operating activities	771,543	1,014,559
Cash flows from investing activities:		
Increase in long-term equity investments	(1,000,000)	(1,000,000)
Purchase of property	(1,349)	(14,051)
Sale of property	12,619	-
Increase in deferred expense	(5,040)	-
Decrease (increase) in refundable deposits	978	(1,956)
Net cash flow provided by (used in) investing activities	(992,792)	(1,016,007)
Cash flow from financing activities:		
Short-term borrowings	151,000	200,000
(Decrease) increase in commercial paper	(289,515)	294,508
Increase in long-term borrowings	200,000	-
Purchase of treasury stock	-	(330,581)
Net cash provided by financing activities	61,485	163,927
Net (decrease) increase in cash and cash equivalents	(159,764)	162,479
Cash and cash equivalents, beginning of the period	162,479	-
Cash and cash equivalents, end of the period	\$ 2,715	162,479
Supplemental disclosures of cash flow information:		
Interest paid (excluding capitalized interest)	\$ 3,104	2,353
Tax paid	\$ 642	616

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

JHSUN FINANCIAL HOLDING CO., LTD.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2003 AND 2002
(New Taiwan Dollars in Thousands, Unless Otherwise Stated)

1. OVERVIEW

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

The Company conducts business in the following areas:

- (1) The Company is approved to invest in the following businesses:
 - A. Investment banking.
 - B. Bills financing.
 - C. Credit Cards.
 - D. Trusts.
 - E. Insurance.
 - F. Securities.
 - G. Futures.
 - H. Venture Capital.
 - I. Investments in overseas financial institutions as approved by the MOF.
 - J. Other related financing as approved by the MOF.
- (2) Management of the above investee businesses.
- (3) Other related businesses as approved by the MOF.

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

As of December 31, 2003, the number of Company and subsidiary employees was 4,115.

JHSUN FINANCIAL HOLDING CO., LTD.
NOTES TO FINANCIAL STATEMENTS (CONT'D)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Company's financial statements were prepared in accordance with Regulations Governing the Preparation of Financial Statements for Financial Holding Companies, Regulations Governing the Preparation of Financial Statements for Security Issuers, and generally accepted accounting principles of the Republic of China. Summary of significant accounting policies is as follows:

a. Cash

Cash includes cash on hand, savings accounts, checking accounts, unrestricted time deposits, negotiable time deposits, and cash equivalents.

b. Short-Term Investments

Marketable securities are valued at the lower of total cost or market at period-end. The moving-average method is used to compute cost upon sale of such investments. Upon receiving stock dividends due to capitalization of capital surplus or earnings of investees, only the number of incremental shares is recorded in a memo entry to reflect new cost per share calculated by the moving-average method. Losses due to market decline is valued at the lower of total cost or market, with market price based on the average closing price in the last month of the accounting period. Market prices of open-end mutual funds are their net worth at the balance sheet date.

c. Long-Term Equity Investments

Long-term equity investments in common stock of companies where the Company has no influence are accounted for under the cost method. Stock dividends received from capitalization of capital surplus or retained earnings are not recorded as investment income, and only memo entries are made regarding the increase in number of shares, with cost per share or book value recalculated.

a. Investments in listed (or OTC) company stocks are stated at the lower of cost or market value. When the cost exceeds market value, an allowance for investment loss account is established and recorded as a deduction from stockholders' equity.

b. Investment loss is recognized currently for investment in non-listed (non-OTC) company stocks when there is sufficient evidence indicating that the investment value is impaired and the possibility of recovery is slim and the new carrying value of the investment is recognized as the new cost.

Investments in investee companies in which the Company can exercise significant influence or has controlling interest are accounted for by using the equity method. According to SFAS No. 20, when compiling quarterly financial statements, investees in which ownership is from 20% to 50% are not accounted for under the equity method. Investee in which ownership exceeds 50% are accounted for under the equity method.

Investments in invested companies in which the Company can exercise significant influence or has controlling interest are accounted for by using the equity method. The Company prepares consolidated financial statements to incorporate the accounts of the Company and the investee companies in which the Company has significant controlling interest. According to Regulations Governing the Preparation of Financial Statements for Financial Holding Companies, bank subsidiaries, insurance subsidiaries, and securities subsidiaries are required to be consolidated. However, should the subsidiary meet one of the conditions set forth below, then its accounts would not be consolidated.

a. The business nature of the subsidiary is different from that of the Company; hence, consolidation is not appropriate.

JHSUN FINANCIAL HOLDING CO., LTD.
NOTES TO FINANCIAL STATEMENTS (CONT'D)

- b. The subsidiary has declared insolvency, or has been ordered by the court to undertake reorganization.
- c. The subsidiary is prohibited from remitting dividends to the Company due to foreign exchange control exercised by the country in which the subsidiary engages in business.
- d. The subsidiary has negative net worth, but if the Company guarantees the subsidiary's debt or makes financial commitments to its subsidiary, or if the loss suffered by the subsidiary is temporary in nature and there is sufficient evidence indicating that the subsidiary will be profitable in the near future, then the accounts of the subsidiary would be consolidated.
- e. Total assets and total operating revenues of the subsidiary are less than 10% of the Company's respective accounts.
- f. The financial statements of those invested companies whose total assets and operating revenue do not exceed 10% of those of the Company can be excluded from the consolidated financial statements. Additionally, if the combined assets or combined operating revenue of these subsidiaries does not exceed 30% of that of the Company, the financial statements of these subsidiaries will also not be included in the consolidated financial statements; however, once the combined assets or combined operating revenue of these subsidiaries exceeds 30% of that of the Company, the financial statements of any of these subsidiaries whose total assets or total operating revenue exceeds 3% of that of the Company must be included in the consolidated financial statements until the combined assets or combined operating revenue of the remaining unconsolidated subsidiaries does not exceed 20% of that of the Company.

When investee companies accounted for under the equity method issue new shares, if the shareholders do not subscribe accordingly to ownership resulting in a change in ownership and a change in equity net worth, then capital surplus and long-term investments are adjusted accordingly. If a debit is made to capital surplus but the remaining balance of capital surplus is deficient, then retained earnings is debited instead.

d. Properties

Premises and equipment are stated at cost. Major additions, improvement, and replacement are capitalized, while maintenance and repairs are charged to current earnings. Interest incurred in acquisition of premises and until their ready use is capitalized as part of the acquisition costs.

Depreciation is applied by the straight-line method with economic lives stipulated by the government. Leasehold improvements are amortized over the lease period or estimated useful lives, whichever shorter. Assets still in use after full depreciation may continue to be depreciated by estimated remaining economic lives. Economic lives of major premises and equipment are the following: equipment, 3 to 10 years; leasehold improvements, 3 to 15 years.

Gain or loss on disposal of property and equipment are reflected as non-operating income or expense based on their nature.

e. Treasury Stock

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

JHSUN FINANCIAL HOLDING CO., LTD.
NOTES TO FINANCIAL STATEMENTS (CONT'D)

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

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

f. Income Taxes

The Company adopted the Statements of Financial Accounting Standards (“SFAS”) No. 22, “Accounting for Income Taxes” to make inter- and intra-period income tax allocation. Deferred income taxes reflect net tax effects of temporary differences between the carrying amounts of assets and liabilities for the financial reporting purposes and the amounts used for income tax purposes. Tax effects of deductible temporary differences, unused investment tax credits, and operating loss carryforwards are treated as deferred tax assets, whereas those of taxable temporary differences are accounted for as deferred tax liabilities. A valuation allowance is provided for deferred tax assets by assessing whether it is more likely than not such assets will realize.

After adopting imputation tax method, the 10% surtax on unappropriated earnings is recorded as current expense on the date of the stockholder’s meeting to declare earnings distribution.

Further, the Company and the subsidiary Jih Sun International Bank Ltd. adopted the consolidated tax filing return principle to file the annual income tax return. According to Accounting Research and Development Foundation Explanation (92) No. 240 issued on October 3, 2003, the total income tax expense and deferred income tax should be allocated reasonably and consistently to individual companies. The accrued receivable and payable are based on the consolidated tax filing return principle and should be recorded as “receivable (payable).”

g. Recognition of Revenue

Revenue is recognized when realized or deemed realizable, and recognized on the accrual basis, and recorded over the respective period. Furthermore, revenues are classified into the proper accounts based on the nature of the business

3. CASH AND CASH EQUIVALENTS

	<u>December 31, 2003</u>	<u>December 31, 2002</u>
Savings account	\$ 2,599	4,387
Checking deposits	116	8,092
Time deposits	-	150,000
Total	<u>\$ 2,715</u>	<u>162,479</u>

JH SUN FINANCIAL HOLDING CO., LTD.
NOTES TO FINANCIAL STATEMENTS (CONT'D)

4. LONG TERM EQUITY INVESTMENTS

From January 1 to December 31, 2003					
<u>Investee Company</u>	<u>Amount</u>	<u>Direct Shareholding Ratio (%)</u>	<u>Original Investment</u>	<u>Cumulative translation adjustments</u>	<u>Gain (loss) on Long-Term Equity Investments</u>
Jih Sun International Bank, Ltd.	\$ 12,427,581	100.00	14,405,297	-	233,874
Jih Sun Securities Co., Ltd.	<u>17,425,717</u>	100.00	<u>19,101,701</u>	<u>(23,828)</u>	<u>(642,341)</u>
	<u>\$ 29,853,298</u>		<u>33,506,998</u>	<u>(23,828)</u>	<u>(408,467)</u>
From February 5 to December 31, 2002					
<u>Investee Company</u>	<u>Amount</u>	<u>Direct Shareholding Ratio (%)</u>	<u>Original Investment</u>	<u>Cumulative translation adjustments</u>	<u>Gain (loss) on Long-Term Equity Investments</u>
Jih Sun International Bank, Ltd.	\$ 11,151,067	100.00	13,405,297	-	(2,254,230)
Jih Sun Securities Co., Ltd.	<u>18,168,569</u>	96.43	<u>18,461,115</u>	<u>(7,797)</u>	<u>1,339,473</u>
	<u>\$ 29,319,636</u>		<u>31,866,412</u>	<u>(7,797)</u>	<u>(914,757)</u>

- 1) The Company was established through a stock conversion between Jih Sun Securities Co., Ltd and Jih Sun International Bank, Ltd. on February 5, 2002. The original investment is the book value of the above two subsidiaries on the conversion date. The above two companies became subsidiaries of the Company after the conversion in which the Company has controlling interests and therefore accounted for under the equity method. Jih Sun International Bank, Ltd. sold non-performing loans to an asset management company in 2002, resulting in a loss of \$6,768,699. In accordance to Article 15, Paragraph 5, the Bank amortized the loss over 60 months, reflected as deferred expense. Amortization for the period amounted to \$1,353,741. If the loss on non-performing loans were recognized currently, deferred assets would be decreased by \$5,302,147 and \$6,655,888 as of December 31, 2003 and 2002. Accumulative earnings would be decreased by \$6,655,888 as of January 1, 2003. Net income (loss) before income tax would be increased by \$1,353,741 and \$6,655,888 for the years then ended. In accordance to Financial Holding Company Law, if the Bank files its tax returns as a financial holding company, the loss on disposal of non-performing loans would result in effect on accumulated earnings of \$4,991,916 as of January 1, 2003. The disposal of non-performing loans would have a effect on net loss of \$1,015,306 and \$4,991,916 for the years then ended.
- 2) The Company's subsidiary, Jih Sun Securities Co., Ltd. increased capital by issuing new shares with October 10, 2002 as the record date and acquired Yuan Xin Securities Co., Ltd. After the capital increase and merger, the Company's ownership in the subsidiary decreased to 96.43%. On July 15, 2003, Ruling Letter SFC (1) No. 09200130277 approved the exchange of 1.444 shares of the Company for 1 share of Jih Sun Securities Co., Ltd. and the Company increased capital by issuing 62,377,766 shares to transfer 43,197,899 shares of Jih Sun Securities Co., Ltd. After the conversion, the Company's ownership in the subsidiary was 100%, resulting in an increase of long-term investment of \$640,586.
- 3) In October 2003 and December 2002, the Company's subsidiary, Jih Sun International Bank, Ltd. increased capital totaling \$1,000,000, with the Company subscribing to the full amount. Therefore ownership was

JHSUN FINANCIAL HOLDING CO., LTD.
NOTES TO FINANCIAL STATEMENTS (CONT'D)

still 100%.

- 4) The Company's subsidiary, Jih Sun International Bank, Ltd. transferred treasury stock to employees from January 1, 2003 to December 31, 2003, resulting in an increase in long-term investment of \$42,640 (transfer of treasury stock cost of \$39,779 and transfer gain of \$2,861).
- 5) The Company's subsidiary, Jih Sun Securities Co., Ltd. transferred treasury stock to employees from January 1, 2003 to December 31, 2003 and from February 5, 2002 to December 31, 2002, resulting in an increase in long-term investment of \$90,639 (transfer of treasury stock cost of \$91,449 less transfer loss of \$810) and \$10,468 (transfer of treasury stock cost of \$12,049 less transfer loss of \$1,581), respectively.
- 6) In 2003 and 2002, shareholders' meeting of the Company's subsidiary, Jih Sun Securities Co., Ltd. resolved to distribute cash dividends. The Company received \$807,874 and \$1,050,404, respectively, in cash dividends according to ownership. In 2002, the subsidiary transferred capital surplus to increase capital of 96,691,107 shares.
- 7) In 2003, the Company's subsidiary, Jih Sun Securities Co., Ltd. recognized according to ownership, net pension loss of unrecognized pension cost of investee totaling \$34.

5. PROPERTIES

	Cost	Accumulated depreciation	Net
December 31, 2003			
Other equipment	\$ 1,349	110	1,239
December 31, 2002			
Other equipment	\$ 2,504	97	2,407
Leasehold improvement	11,547	642	10,905
	\$ 14,051	739	13,312

6. SHORT-TERM BORROWINGS

Nature	Period	Interest rate	Ending balance	Credit line	Collateral
December 31, 2003					
Collateralized loan	November 28, 2003 ~ January 30, 2004	1.3%~1.35%	\$ 351,000	1,000,000	Marketable securities
December 31, 2002					
Collateralized loan	November 28, 2002 ~ June 18, 2003	1.7%~4.1%	\$ 200,000	500,000	Marketable securities

7. COMMERCIAL PAPER PAYABLE

	December 31, 2003		December 31, 2002	
	Interest rate	Amount	Interest rate	Amount
Commercial paper payable	0.91%~1.49%	\$ 5,000	1.37%~1.49%	295,000
Less: Unamortized discount		(7)		(492)
Net		\$ 4,993		294,508

JH SUN FINANCIAL HOLDING CO., LTD.
NOTES TO FINANCIAL STATEMENTS (CONT'D)

8. LONG-TERM BORROWINGS

Nature	Period	Interest rate	Ending balance	Repayment of principal
December 31, 2003				
Collateralized loan	2003.12 ~ 2005.1	1.68%	<u>\$ 200,000</u>	repaid at maturity. Interest is paid month.

9. PENSION PLAN

After the Company was established, several company employees also held positions in various subsidiaries. Since the subsidiaries have different pension plan calculations, therefore the Company has no applicable pension plan calculations.

10. INCOME TAXES

According to regulations stipulated by Ruling Letter No. 910458039 dated February 22, 2003 "Principles and regulations of profit seeking businesses filing joint tax returns in accordance to Article 49 of the Financial Holding Company Law and Article 40 of Enterprise Merger Law", when a financial holding company holds more than 90% of the shares of a domestic subsidiary, the financial holding company and the subsidiary can file a joint tax return effective once the financial holding company holds more than 90% of the subsidiary for 12 months during a taxable year. Income tax returns for 2003 and earnings distribution for 2002 for the Company, Jih Sun Securities Co., Ltd., and Jih Sun International Bank, Ltd. were jointly filed by the Company.

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

1) Income taxes for 2003 and 2002 are the following:

	From January 1, 2003 to December 31, 2003	From February 5, 2002 to December 31, 2002
Current income tax payable	\$ -	-
Income tax payable resulting from tax incentives	166,185	-
Income tax receivable resulting from tax incentives	(141,786)	-
Income tax refund	(25,041)	(616)
Income tax prepayment and withholding	642	616
Decrease in current deferred income tax assets	10,000	(10,000)
Income tax expense (benefit)	<u>\$ 10,000</u>	<u>(10,000)</u>
Current income tax payable	\$ -	-
Decrease in current deferred income tax assets	10,000	(10,000)
10% surtax on undistributed earnings	-	-
Income tax expense benefit	<u>\$ 10,000</u>	<u>(10,000)</u>

As of December 31, 2003, the tax authorities has not been to approved the income tax return for year 2002 of the Company yet.

JH SUN FINANCIAL HOLDING CO., LTD.
NOTES TO FINANCIAL STATEMENTS (CONT'D)

2) The Company's deferred taxes assets and liabilities are as follows:

	<u>From January 1, 2003 to December 31, 2003</u>	<u>From February 5, 2002 to December 31, 2002</u>
Current income tax payable	\$ (111,362)	(238,359)
Add (less): Tax effects of perpetual differences		
Investment income accounted for under the equity method	102,117	228,689
Gain on trading of securities	(101)	(230)
Others	9,346	(100)
Operating loss carryforwards	-	10,000
Income tax expense benefit	<u>\$ -</u>	<u>-</u>

3) The Company's deferred taxes assets and liabilities are as follows:

	<u>December 31, 2003</u>		<u>December 31, 2002</u>	
	Amount	Tax effect	Amount	Tax effect
Deferred tax assets - current				
Operating loss carryforwards	<u>\$ -</u>	<u>-</u>	<u>40,000</u>	<u>10,000</u>

4) Income tax returns for 2003 and earnings distribution for 2002 for the Company, Jih Sun Securities Co., Ltd., and Jih Sun International Bank, Ltd. were jointly filed by the Company and resulted in tax refund receivable of \$25,041.

5) Information regarding tax incentives resulting from joint filing of tax:

	<u>December 31, 2003</u>
Income tax payable resulting from tax incentives	\$ (166,185)
Income tax receivable resulting from tax incentives	141,786
	<u>\$ (24,399)</u>

6) Related information on imputation tax system:

	<u>December 31,</u>	
	<u>2003</u>	<u>2002</u>
Balance of stockholders' imputation credit account	<u>\$ 314,280</u>	<u>163,414</u>
	<u>2002(Actual)</u>	
Actual imputation credit ratio of earnings distribution	<u>- %</u>	

7) Related information on undistributed earnings:

	<u>December 31,</u>	
	<u>2003</u>	<u>2002</u>
Undistributed earnings of 1997 and before	\$ -	-
Undistributed earnings of 1998 and after	(1,401,274)	(945,017)
Total	<u>\$ (1,401,274)</u>	<u>(945,017)</u>

JH SUN FINANCIAL HOLDING CO., LTD.
NOTES TO FINANCIAL STATEMENTS (CONT'D)

11. STOCKHOLDERS' EQUITY

a. Capital Stock

The Company was established through a stock conversion between Jih Sun Securities Co., Ltd and Jih Sun International Bank, Ltd. on February 5, 2002. The conversion ratio was 1.44403 shares and 0.57759 shares, respectively, for a total of 2,194,760,000 shares issued at par value of \$10. On August 20, 2003, Jih Sun Securities Co., Ltd. shares were second converted at a ratio of 1.444 shares for a total of 62,377,766 shares converted at par value of \$10. On December 8, 2003, 3,864,579 shares of treasury stock were retired at par value of \$10. As of December 31, 2003 and 2002, the Company's authorized capital was \$50,000,000 and paid-in capital was \$22,532,732 and \$21,947,600, respectively, totaling 2,253,273,187 shares and 2,194,760,000 shares, respectively.

b. Capital Surplus

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

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

c. Treasury Stock

a. On December 31, 2003 and 2002, in accordance to Article 28-2 of the Securities Exchange Law, treasury stock transferred to employees repurchased was 40,000,000 shares and 20,000,000 shares, respectively.

b. According to the requirements under the Securities Exchange Law, the ratio of the number of treasury shares repurchased shall not exceed 10% of the total shares issued; the total amount of the shares repurchased shall not exceed the sum of retained earnings, premium on stock issuance and realized capital surplus. The Company's highest amount of treasury shares held during the year was 40,000,000 shares, and the total amount of treasury stock repurchased was \$330,581, which complies with the requirements under the Securities Exchange Law. Using financial statements as of June 30, 2002, the maximum amount of treasury stock repurchased was 78,142,000 shares for a total of \$10,888,140. As of December 31, 2003 and 2002, the number of treasury stock repurchased was 40,000,000 shares and 20,000,000 shares, respectively. As of December 31, 2003 and 2002, the amount of treasury stock repurchased was \$330,581 and \$188,691, respectively. According to Security Exchange Law, treasury stock cannot be pledged, nor do they have stockholders' rights prior to transfer.

c. Jih Sun Securities Co., Ltd and Jih Sun International Bank, Ltd. became subsidiaries of the Company on February 5, 2002 after completing the stock conversion. In accordance to Article 31 of Financial Holding Company Law and SFAS 30, when the parent company recognizes

JH SUN FINANCIAL HOLDING CO., LTD.
NOTES TO FINANCIAL STATEMENTS (CONT'D)

investment income and compiles financial statements, parent shares held by the subsidiary should still be treated as the shares repurchased by the parent company. Therefore, the Company accounts for treasury stock converted from Jih Sun Securities Co., Ltd. and Jih Sun International Bank, Ltd. as treasury stock, with a deduction made to stockholders' equity. In 2003 and 2002, changes in parent treasury stock held by the subsidiaries are as follows:

	From January 1, 2003 to December 31, 2003			
	Jih Sun Securities Co., Ltd		Jih Sun International Bank, Ltd	
	Shares	Amounts	Shares	Amounts
Beginning balance	90,686,478	739,708	50,647,712	363,270
Adjustment due to stock conversion	-	23,871	-	-
Retirement of stock	3,864,579	38,142	-	-
Transfer during the period	12,470,260	91,449	6,981,345	39,779
Ending balance	<u>74,351,639</u>	<u>633,988</u>	<u>43,666,367</u>	<u>323,491</u>
Transfer price		<u>90,639</u>	(Note)	<u>42,640</u>

	From February 5, 2002 to December 31, 2002			
	Jih Sun Securities Co., Ltd		Jih Sun International Bank, Ltd	
	Shares	Amounts	Shares	Amounts
Beginning balance	91,952,189	779,426	50,647,712	363,270
Adjustment due to stock conversion	-	27,669	-	-
Transfer during the period	1,265,711	12,049	-	-
Ending balance	<u>90,686,478</u>	<u>739,708</u>	<u>50,647,712</u>	<u>363,270</u>
Transfer price		<u>10,468</u>		<u>-</u>

Note: Computed based on the Company's ownership of the subsidiary

- d. The Company's subsidiary, Jih Sun Securities Co., Ltd. originally held 43,143,000 shares of Jih Sun International Bank, Ltd. but due to the stock conversion the shares were converted to shares of the Company totaling 24,919,000 shares, reflected as short-term investments (the Company estimated a conversion cost of \$653,835). These shares were reflected as a deduction to stockholders' equity in accordance to SFAS 30 "Accounting for treasury stock." On December 31, 2003, a devaluation loss of \$505,613 was recognized based on the closing price of \$8.3 per share. On the conversion record date, a devaluation loss of \$58,892 was recognized.
- e. According to SFC regulations, effective January 1, 2002, the Company's treasury stock held by subsidiaries is treated as treasury stock. If the market price of the Company's stock is less than the book value, the Company should calculate short-term investment devaluation loss or unrealized long-term investment devaluation loss according to ownership, and an equal amount of special reserve should be provided for which cannot be distributed. Any recovery in market value should be used to reverse special reserve according to ownership. If the subsidiary recognizes the shares of the Company as short-term investments, then the amount of recovery cannot exceed the amount of short-term investment devaluation loss on January 1, 2002. The

JH SUN FINANCIAL HOLDING CO., LTD.
NOTES TO FINANCIAL STATEMENTS (CONT'D)

above recovery of special reserve should be reflected with other non-treasury stock as a deduction to stockholders' equity. According to the above regulations, since the Company incurred losses in 2003 and 2002, there is no requirement to recognize short-term investment devaluation loss for special reserve.

- f. As of December 31, 2003 and 2002, amount of treasury stock held by the Company and its subsidiaries was \$1,941,895 and \$2,063,909, respectively. According to "Statements of Financial Accounting Standards for Financial Holding Companies", information regarding shares of the parent company held by the subsidiaries is as follows:

Name of subsidiary	Shares	Amount	Repurchase Reasons	Restriction on earnings distribution	Legal period	Estimated treatment approved by the Board of Directors
Jih Sun Securities Co., Ltd	24,919	653,835	Conversion due to establish	-	3 years	-
Jih Sun Securities Co., Ltd	74,352	633,988	Transferred to employee	no stockholder's rights prior to transfer	"	-
Jih Sun International Bank, Ltd	43,666	323,491	Transferred to employee	"	"	-

12. Earnings Distribution and Dividend Policy

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

The Company adopted the residual dividend policy. In consideration of the Company's capital budget, essential funds needed for operations and investing are retained, and the remainder is distributed as stock or cash dividends. The cash dividends shall not be less than 10% of total dividends. When employee bonuses are distributed as stock dividends, employee of affiliate companies also receive employee bonuses.

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

The Company incurred a loss for 2003, and therefore no employee bonuses and remuneration to directors and supervisors were distributed. Information regarding earnings distribution can be found on the market observation post system.

JHSUN FINANCIAL HOLDING CO., LTD.
NOTES TO FINANCIAL STATEMENTS (CONT'D)

13. EARNINGS PER SHARE

Earnings per share is calculated based on the weighted average number of common shares outstanding during each period, except for capitalization of retained earnings or capital surplus for which the computation of shares outstanding is retroactively adjusted. The weighted average number of shares outstanding for the year ended December 31, 2003 and for the period from February 5, 2002 to December 31, 2002 were 2,029,626,955 and 2,006,163,065.

14. FINANCIAL INSTRUMENTS

- (1) Financial Derivatives: None.
- (2) Fair Value of Non-Derivative Financial Instruments

Non-Derivative Financial Instruments	December 31, 2003	
	Book Value	Fair Value
Financial Assets:		
Book value equal to fair value	\$ 171,143	171,143
Long-term equity investments	29,853,298	-
Financial Liabilities:		
Book value equal to fair value	524,685	524,685
Long-term debt	200,000	200,000

Non-Derivative Financial Instruments	December 31, 2002	
	Book Value	Fair Value
Financial Assets:		
Book value equal to fair value	\$ 165,379	165,379
Long-term equity investments	29,319,636	-
Financial Liabilities:		
Book value equal to fair value	497,547	497,547
Long-term debt	-	-

Methods and assumptions used by the Company for evaluation of financial instruments are as follows:

- a. Fair value of short-term financial instruments is estimated by their face value on the balance sheet. Since such instruments will mature shortly, face value is a reasonable basis in estimating the fair value. Such is applicable to cash in bank, short-term investments, other financial assets, payables, and other current liabilities.
- b. The book value of long-term investments is based on their market prices, if available. The Company's long-term investments are non-listed companies, and therefore it is impossible to determine their fair value. As of December 31, 2003 and 2002, original investment of the above long-term investments amounted to \$35,506,998 and \$31,866,412, respectively and their carrying amounts were \$29,853,298 and \$29,319,636, respectively.
- c. The fair value of long-term debt is determined by their carrying amount. Interest accrued is based

JH SUN FINANCIAL HOLDING CO., LTD.
NOTES TO FINANCIAL STATEMENTS (CONT'D)

on floating interest rates.

15. RELATED PARTY TRANSACTIONS

(1) Name of Related Party and Relationship with the Company

Name of Related Party	Relationship with the Company
Jih Sun Securities Co., Ltd.	A subsidiary in which the Company has controlling interests
Jih Sun International Bank, Ltd.	"

(2) Significant Transactions with Related Parties

a. Transactions between the Company and Jih Sun Securities Co., Ltd.:

	From January 1 to December 31, 2003		From February 5, 2002 to December 31, 2002	
	expenses	Accounts payable	expenses	Accounts payable
Service agent fee(including computer printing expense)	\$ 13,798	1,103	13,630	1,202

b. The Company's deposits at Jih Sun International Bank, Ltd. are as follows:

From January 1 to December 31, 2003					
	Maximum Balance	Ending Balance	Interest rate	Interest Revenue	Interest receivable
Deposits	\$ 801,428	2,689	0~2.2%	1,075	7

From February 5, 2002 to December 31, 2002					
	Maximum Balance	Ending Balance	Interest rate	Interest Revenue	Interest receivable
Deposits	\$ 2,362,578	152,452	0~1.2%	3,904	280

In May 2003, the Company sold equipment to Jih Sun International Bank, Ltd. for \$12,620, resulting in a gain of \$110.

c. Tax incentive receivables (payables)

	December 31, 2003	
	Book Value	%
Jih Sun Securities Co., Ltd.	141,786	85
Jih Sun International Bank, Ltd.	(166,185)	99

JH SUN FINANCIAL HOLDING CO., LTD.
NOTES TO FINANCIAL STATEMENTS (CONT'D)

16. PLEDGED ASSETS

	December 31, 2003	December 31, 2002
Long-term equity investments		
Jih Sun Securities Co., Ltd.	\$ 2,883,114	3,103,101

17. SIGNIFICANT COMMITMENTS AND CONTINGENCIES

1) The Company: None.

2) Jih Sun International Bank Ltd.:

①As of December 31, 2003 and 2002, contracts for equipment purchase and office renovations were approximately \$404,381 and \$73,540 of which \$121,990 and \$31,246 respectively were paid.

②As of December 31, 2003 and 2002, the Bank acted as an agent for various collections amounting to approximately \$644,079 and \$995,716, respectively.

③As of December 31, 2003 and 2002, the Bank handled various of guarantees (including joint handling of foreign exchange transactions); the related outstanding guarantee deposits were approximately \$3,515,105 and \$2,282,685, respectively.

④As of December 31, 2003 and 2002, the Bank had outstanding bank acceptance liabilities, which amounted to approximately \$599,204 and \$207,978, and letters of credit, which amounted to approximately \$2,502,183 and \$1,208,488, respectively.

⑤As of December 31, 2003 and 2002, the Bank acted as custodian of post-dated checks for its clients (excluding next day's checks for clearing) which amounted to approximately \$21,381,073 and \$18,791,377, respectively.

⑥As of December 31, 2003 and 2002, the Bank received escrow government bonds in connection with repurchase agreements with approximate face value of \$0 in both years, respectively.

⑦As of December 31, 2003 and 2002, the Bank was entrusted with the sale of U.S. dollar traveler's checks of \$228,931 and \$265,282, respectively.

⑧ As of December 31, 2003, the Bank paid rent on a monthly or quarterly basis according to the rental contract. The estimated future rent payable and accrued interest on deposits treated as rent for the next five years are as follows:

Year	Interest on deposits treated as rent	Rent payable	Present value
2004	Note	\$ 165,892	-
2005	Note	111,250	-
2006	Note	79,608	-
2007	Note	33,744	-
2008	Note	28,085	-

Note: Amount is less than \$1,000.

As of December 31, 2003, the above interest on deposits treated as rent is based upon rent-free deposits and deposits in excess of 3 months' rent of \$36,632 and at 1.4% per annum interest for the rental period.

JHSUN FINANCIAL HOLDING CO., LTD.
NOTES TO FINANCIAL STATEMENTS (CONT'D)

⑨According to SFAS No. 28 "Financial Disclosures for Financial Institutions", major commitments and contingencies required to be disclosed by the Bank are as follows:

- a.)The Bank's credit commitments can be cancelled due to accelerated terms, therefore, as of December 31, 2003 and 2002, the Bank has no non-cancelable credit commitments and credit commitment that can only be canceled upon significant payment.
- b.)As of December 31, 2003 and 2002, the Bank has direct credit guarantees, which consist of general guaranteed bonds (corporate bonds) which amounted to \$218,493 and \$266,498, respectively, and guarantee letters for financial guarantees of loans and securities (commercial papers), which amounted to \$1,447,837 and \$707,532, respectively.
- c.)As of December 31, 2003 and 2002, the Bank had performance guarantee bonds of \$1,044,785 and \$768,620, respectively. Auction deposits were \$0 and \$3,330, respectively, and guarantee letters issued for specified transactions were \$1,848,775 and \$1,308,655, respectively. As of December 31, 2003 and 2002, the Bank still had financial undertaking of \$3,211,153 and \$2,743,750, respectively.
- d.)As of December 31, 2003 and 2002, the Bank has provided financing for bond issuance and revolving underwriting of \$200,000 and \$218,000.

3) Jih Sun Securities Co., Ltd.:

The Company's significant commitments and contingencies at December 31, 2003 and 2002, are summarized as follows:

- ①As of December 31, 2003 and 2002, the Company had issued post-dated checks for future rental payments, which amounted to \$97,059 and \$81,699, respectively.
- ②As of December 31, 2003 and 2002, in connection with its securities financing activities, the Company held client-owned stocks which amounted to approximately 1,035,181,435 shares and 780,264,118 shares, respectively; stocks loaned out to clients amounted to approximately 37,843,000 shares and 63,869,000 shares, respectively, for which the Company received guarantee deposits in full from the clients.
- ③During 1990, the Company sold entrusted stocks of Cathay Life Insurance Co., Ltd. which were subsequently falsely reported as stolen stocks by Mr. Guan, San Lang. According to the regulations, the Company replaced these stocks by purchasing shares from the market for \$27,171. The court subsequently ruled in favor of the Company, and the original stocks were returned to the Company and sold for \$8,623, which resulted in a loss of \$18,548. The Company has filed for damages with the court.
- ④During 1998, a client of the Company's Pan Chiao Branch filed a lawsuit against a Company employee for unauthorized stock sale of approximately \$40,100. The Company has applied to the court for sequestration to avoid the loss from employer responsibility. The Company made guarantee deposits of \$14,000 to the court (recorded as guarantee deposits-out) and seized the debtor's assets.
- ⑤The Company is entrusted to act as the co-underwriter for Jeng-Yih Company's application for government approval to trade over-the-counter. Subsequently, Jeng-Yih Company was not permitted to trade over-the-counter because of a significant amount of bad checks. Therefore, the investors have sued the Company's directors and supervisors, the independent auditors, and the underwriters of

JHSUN FINANCIAL HOLDING CO., LTD.
NOTES TO FINANCIAL STATEMENTS (CONT'D)

Jeng-Yih Company for total damages of \$71,020. The litigation procedure is currently in process.

- ⑥As of December 31, 2003 and 2002, the Company had applied to the court for provisional seizure in connection with protection of its breach penalty for securities margin transactions. Therefore, the Company made guarantee deposits of \$5,042 (recorded as guarantee deposit-out) and seized the debtor's assets.
- ⑦A client of the Company's Tai-Chung Branch alleged that the prior responsible person of the Company's Tai-Chung Branch sold his stock without permission, which amounted to approximately \$7,512 with interest. Therefore, the client requested the Company to be jointly responsible for such claim. The litigation procedure is in process.
- ⑧Tai-Chung Commercial Bank Co. Ltd. alleged that a former employee at the Tai-Chung Branch had sold the client's stock without permission, falsified the seal and/or withdrawal slip, and stolen the client's bank savings. Therefore, the client requested the Company to be jointly responsible and claimed for \$26,104 with interest. The litigation procedure is in process.

JHSUN FINANCIAL HOLDING CO., LTD.
NOTES TO FINANCIAL STATEMENTS (CONT'D)

18. OTHER

1) Condensed balance sheets

	<u>December 31, 2003</u>		<u>December 31, 2002</u>	
	<u>Jih Sun International Bank, Ltd.</u>	<u>Jih Sun Securities Co., Ltd.</u>	<u>Jih Sun International Bank, Ltd.</u>	<u>Jih Sun Securities Co., Ltd.</u>
Current Assets	\$ 52,751,831	32,088,304	41,343,083	31,846,274
Discounted bills and loans, net	161,983,290	-	147,131,498	-
Long-term equity investments	2,739,822	3,273,543	835,972	2,491,411
Properties	4,497,147	2,223,468	4,265,494	2,343,239
Intangible Assets and others	6,883,794	1,822,803	8,353,525	1,802,917
Securities brokerage debit account-net	-	38,998	-	-
Customer deposits	189,927,387	-	174,823,318	-
Other current liabilities	20,813,414	21,524,601	10,767,392	18,213,916
Long-Term Debt	5,159,690	5,000	5,138,900	600,000
Other Liabilities	527,811	284,969	48,894	270,956
Securities brokerage credit account-net	-	-	-	384,750
Common stock	13,247,600	12,072,127	12,247,600	12,098,890
Capital surplus	2,861	2,298,456	-	2,302,972
Retained Earnings	(499,388)	3,831,939	(733,262)	5,291,416
Total Assets	228,855,884	39,447,116	201,929,572	38,483,841
Total Liabilities	216,428,302	21,814,570	190,778,504	19,469,622
Total Stockholders' Equity	12,427,582	17,632,546	11,151,068	19,014,219

JHSUN FINANCIAL HOLDING CO., LTD.
NOTES TO FINANCIAL STATEMENTS (CONT'D)

2) Condensed statements of income

	From January 1 to December 31, 2003		From February 5, 2002 to December 31, 2002	
	Jih Sun International Bank, Ltd.	Jih Sun Securities Co., Ltd.	Jih Sun International Bank, Ltd.	Jih Sun Securities Co., Ltd.
Operating Revenues	\$ 9,341,133	4,269,723	9,582,688	6,150,162
Operating Costs	6,296,507	1,506,946	9,110,019	1,499,399
Gross Margin	3,044,626	2,762,777	472,669	4,650,763
Operating Expenses	3,033,324	2,915,915	2,406,100	3,046,999
Income (loss) from Operations	11,302	(153,138)	(1,933,431)	1,603,764
Non-Operating Revenues and benefits	580,722	303,379	409,140	379,355
Non-Operating Expenses and Loss	409,175	276,772	612,607	222,685
Income before Income Taxes	182,849	(126,531)	(2,136,898)	1,760,434
Net Income (Loss)	233,874	(569,531)	(2,151,231)	1,283,849
Earnings per Share	0.20	(0.49)	(2.07)	1.12

3) The Company's personnel, depreciation, and amortization expense are as follows:

Nature	From January 1, 2003 to December 31, 2003	From February 5, 2002 to December 31, 2002
	Operating Expense	Operating Expense
Personnel Expense	\$ 9,541	-
Amortization Expense	1,613	739

4) Account Reclassification:

Certain prior year accounts of the financial statements were reclassified to conform to the presentation in these financial statements.