

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

**JIH SUN SECURITIES CO., LTD.  
FINANCIAL STATEMENTS  
DECEMBER 31, 2009 AND 2008  
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**

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

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

We have audited the accompanying balance sheets of Jih Sun Securities Co., Ltd. as of December 31, 2009 and 2008 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, 2009 and 2008, 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", the related financial accounting standards of the "Business Accounting Act" and of the "Regulation on Business Entity Accounting Handling" and accounting principles generally accepted in the Republic of China.

As described in Note 3, since July 1, 2008, Jih Sun Securities Co., Ltd. adopted the Republic of China Statements of Financial Accounting Standards (SFAS) No. 34 "Financial Instruments: Recognition and Measurement" to reclassify the financial asset. As the result of the abovementioned change, the net income increased by \$83,594 thousand dollars and the earnings per share increased by \$0.07 dollars in 2008.

KPMG  
February 10, 2010  
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.

**JIH SUN SECURITIES CO., LTD.**  
**BALANCE SHEETS**  
**DECEMBER 31, 2009 AND 2008**  
(expressed in thousands of New Taiwan dollars)

ASSETS	DECEMBER 31,				LIABILITIES AND STOCKHOLDER'S EQUITIES	DECEMBER 31,			
	2009		2008			2009		2008	
	Amount	%	Amount	%		Amount	%	Amount	%
<b>CURRENT ASSETS</b>					<b>CURRENT LIABILITIES</b>				
Cash and Cash Equivalents (Notes 2(E), 4(A) and 5(B))	\$ 1,330,888	4	6,346,187	17	Short-term Loans (Notes 4(G),5(B) and6)	\$ 1,380,000	4	-	-
Financial Assets Measured at Fair Value through Profit or Loss - Current(Notes 2(F) (G) and 4 (B)(T))	6,903,942	20	11,852,202	32	Commercial Paper Payable, Net (Note 4(H))	1,549,658	4	-	-
Bond Investments under Resale Agreements (Notes 2(H), 4(C ) and 5(B))	-	-	880,246	3	Liabilities for Bonds with Attached Repurchase Agreement: (Notes 2(H),4(I) and 5(B))	3,314,268	9	12,572,228	33
Margin Loans Receivable (Note 2(I))	16,278,898	46	6,902,920	18	Financial Liabilities Measured at Fair Value through Profit or Loss - Current: (Notes 2(G)(N) and 4 (J), (T))	259,022	1	32,456	-
Refinancing Margin(Note 2(I))	5,004	-	352	-	Securities Financing Refundable Deposits (Note 2(I))	1,904,049	5	1,012,215	3
Refinancing Collateral Receivable(Note 2(I))	5,454	-	350	-	Deposits Payable for Securities Financing (Note 2(I))	2,176,778	7	1,125,420	3
Security Borrowing Collateral Price	39,730	-	9,661	-	Accounts Payable	810,829	2	177,065	-
Security Borrowing Margin	35,898	-	8,732	-	Amounts Received in Advance	56,796	-	36,802	-
Notes Receivable (Note 2(J))	189	-	296	-	Receipts under Custody	7,892	-	5,413	-
Accounts Receivable (Note 2(J))	1,114,133	3	839,346	2	Other Payable(Note 2(S), 4 (R ) and 5(B))	2,084,200	6	1,143,646	3
Accounts Receivable - Related Parties (Note 5(B))	11,073	-	16,305	-	Long-Term Liability - Current Portion(Note 4(K), (L) and 6)	999,894	3	1,000,000	3
Prepayments	17,671	-	71,440	-		<u>14,543,386</u>	<u>41</u>	<u>17,105,245</u>	<u>45</u>
Other Receivables (Note5(B))	66,050	-	39,544	-					
Restricted Assets -Current(Notes 4(G), (K) and 6)	925,759	3	1,274,710	3	<b>LONG-TERM LIABILITY</b>				
Deferred Income Tax Assets - Current(Notes 2(S)and4(R))	-	-	6,449	-	Long-Term Borrowings(Note 4(L) and 6)	-	-	1,338,114	4
Available-for-Sale Financial Assets - Current(Notes2(F), (K)and 4(D),(T))	392,151	1	941,960	3		-	-	1,338,114	4
	<u>27,126,840</u>	<u>77</u>	<u>29,190,700</u>	<u>78</u>	<b>OTHER LIABILITY</b>				
<b>FUNDS AND LONG-TERM INVESTMENTS</b>					Reserve for Loss on Breaches of Contract (Notes 2(O))	200,000	1	200,000	1
Stock Investments Measured by Equity Method(Notes 2(K)and 4(E))	3,165,966	9	3,386,631	9	Trading Loss Reserve(Notes 2(P))	59,043	-	17,505	-
Available-for-Sale Financial Assets - Non-current(Notes2(K , 4(E) and 6)	1,349,812	4	1,405,992	4	Other Liability - Refundable Deposits(Note 5(B))	7,683	-	7,460	-
	<u>4,515,778</u>	<u>13</u>	<u>4,792,623</u>	<u>13</u>	Accrued Pension Liability - Non-current (Notes 2(Q) and 4 (O))	130,042	-	103,434	-
					Other Liability - Others(Note 4(M))	28,870	-	28,870	-
<b>Fixed Assets(Notes 2(L), 4(F), (K) and 6)</b>						<u>425,638</u>	<u>1</u>	<u>357,269</u>	<u>1</u>
Land	1,259,205	4	1,259,205	3	<b>TOTAL LIABILITIES</b>	<u>14,969,024</u>	<u>42</u>	<u>18,800,628</u>	<u>50</u>
Buildings	568,404	2	568,404	2	<b>STOCKHOLDER'S EQUITIES</b>				
Machinery and Equipment	925,085	3	977,330	3	Common Stock(Note 4(P))	11,572,127	33	11,572,127	31
Prepayment for Equipment	1,320	-	1,160	-	Capital Surplus - Additional Paid in Capita	1,298,456	4	1,298,456	3
Leasehold Improvements	386,774	1	469,254	1	Retained Earnings(Notoe 4(Q))				
	<u>3,140,788</u>	<u>10</u>	<u>3,275,353</u>	<u>9</u>	Legal reserve	1,699,768	5	1,658,220	4
Less: Accumulated Depreciation	1,324,289	4	1,351,743	4	Special reserve	4,196,415	12	4,016,734	11
	<u>1,816,499</u>	<u>6</u>	<u>1,923,610</u>	<u>5</u>	Unappropriated Retained Earnings:	1,553,382	4	415,475	1
					Cumulative Translation Adjustments (Note 4(E))	(28,082)	-	12,132	-
<b>INTANGIBLE ASSETS</b>					Unrealized Gains (losses) on Financial Products (Note 2(K) and 4(D), (E))	6,479	-	(105,768)	-
Other Intangible Assets (Note 2(M))	50,321	-	75,835	-	Net Loss Not Recognized as Pension Cost (Note 4(O))	(21,201)	-	-	-
					<b>TOTAL STOCKHOLDERS' EQUITY</b>	<u>20,277,344</u>	<u>58</u>	<u>18,867,376</u>	<u>50</u>
<b>OTHER ASSETS</b>					<b>SIGNIFICANT COMMITMENTS AND CONTINGENCIES (Note 7)</b>				
Operation Guaranteed Deposits	800,000	2	860,000	2					
Clearing and Settlement Fund	399,651	1	423,880	1					
Other Assets - Refundable Deposits (Notes5(B , 6 and 7)	132,233	-	148,202	-					
Deferred Debits	90	-	126	-					
Deferred Income Tax Assets-Non-Current(Notes 2(S)and 4(R))	36,408	-	38,858	-					
Cash and Cash Equivalents - Receipts under Custody from Exercise of Warrar	8	-	8	-					
Cash and Cash Equivalents - Receipts under Custody from Customers' Security Subscripti	8	-	8	-					
	<u>1,368,398</u>	<u>3</u>	<u>1,471,082</u>	<u>3</u>					
Debit Items for Trade Brokerage (Note4(N))	368,532	1	214,154	1					
<b>TOTAL ASSETS</b>	<u>\$ 35,246,368</u>	<u>100</u>	<u>37,668,004</u>	<u>100</u>	<b>TOTAL LIABILITIES AND STOCKHOLDER'S EQUITIES</b>	<u>\$ 35,246,368</u>	<u>100</u>	<u>37,668,004</u>	<u>100</u>

(See the accompanying notes to the financial statements)

**JIH SUN SECURITIES CO., LTD.**  
**STATEMENTS OF INCOME**  
**FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008**  
(expresses in thousands of New Taiwan dollars, except for earnings per share)

	2009		2008	
	Amount	%	Amount	%
<b>REVENUES (Note 2(T))</b>				
Brokerage Handling Fee Revenue(Note 5(B))	\$ 3,321,120	53	2,575,292	45
Revenues from Underwriting Business	54,985	1	49,232	1
Gains on Sale of Securities - Proprietary	805,797	13	-	-
Gains on Sale of Securities - Underwriting	17,506	-	-	-
Gains on Sale of Securities - Hedging	40,460	1	-	-
Revenue from Providing Agency Service for Stock Affairs (Note 5(B))	40,285	-	45,214	1
Interest Income (Note 5(B))	881,067	14	1,387,888	24
Dividend Revenue	109,217	2	117,907	2
Valuation Gains on Operating Securities - Proprietary	68,105	1	42,045	1
Valuation Gains on Operating Securities - Underwriting	9,734	-	-	-
Valuation Gains on Operating Securities - Hedging	17,062	-	-	-
Profit from Issuance of Call ( Put ) Warrants	-	-	114,523	2
Future Commission Revenue (Note 5(B))	159,343	3	177,449	3
Gain from Derivative Financial Products - Futures (Note 4(T))	286,596	5	533,292	10
Gain from Derivative Financial Products - OTC(Note 4(T))	50,565	1	19,566	-
Other Operating Income	33,480	-	20,644	-
Non-Operating Revenues and Gains (Note 4(E) and 5(B))	383,348	6	610,445	11
Total Revenue	<u>6,278,670</u>	<u>100</u>	<u>5,693,497</u>	<u>100</u>
<b>EXPENDITURE</b>				
Brokerage Handling Fee Expense (Note 5(B))	195,055	3	147,520	3
Proprietary Handling Fee Expense	11,619	-	8,559	-
Refinancing Processing Fee Expenses	397	-	185	-
Losses on Sale of Securities - Proprietary	-	-	383,073	7
Losses on Sale of Securities - Underwriting	-	-	46,781	1
Losses on Sale of Securities - Hedging	-	-	117,277	2
Interest Expense (Note 5(B))	36,298	1	236,712	4
Valuation Losses on Operating Securities - Underwriting	-	-	43,667	1
Valuation Losses on Operating Securities - Hedging	-	-	36,465	1
Losses on Covering of Borrowed Securities and Bonds with Resale Agreements - Short Sales	8,015	-	68,465	1
Valuation Losses on Borrowed Securities and Bonds with Resale Agreements - Short Sales	2,355	-	109	-
Expenses Arising Out of Issuance of Call ( Put ) Warrants	20,120	-	3,100	-
Loss on Issuance of Call ( Put ) Warrants	3,427	-	-	-
Futures Commission Expense	6	-	-	-
Expense of Clearing and Settlement	3,898	-	2,140	-
Losses from Derivative Financial Products - Futures (Note 4(T))	429,449	7	543,424	10
Operating Expenses (Note 5(B))	3,204,526	51	2,809,000	49
Other Operating Expense	5,343	-	378	-
Non-Operating Expense and Loss (Note 5(B))	156,028	2	472,804	8
Total Expenditure	<u>4,076,536</u>	<u>64</u>	<u>4,919,659</u>	<u>87</u>
<b>NET INCOME BEFORE INCOME TAX</b>	<u>2,202,134</u>	<u>36</u>	<u>773,838</u>	<u>13</u>
Income Tax Expense (Note 2(S) and 4(R))	648,752	10	358,363	6
<b>NET INCOME</b>	<u>\$ 1,553,382</u>	<u>26</u>	<u>415,475</u>	<u>7</u>
	<u>Before income tax</u>	<u>After income tax</u>	<u>Before income tax</u>	<u>After income tax</u>
<b>Primary earnings per share (Note 2(U) and 4(S))</b>	<u>\$ 1.90</u>	<u>1.34</u>	<u>0.67</u>	<u>0.36</u>

(See the accompanying notes to the financial statements)

**JIH SUN SECURITIES CO., LTD.**  
**STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY**  
**FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008**  
(expressed in thousands of New Taiwan dollars)

	<u>Retained Earnings</u>					<u>Cumulative Translation Adjustments</u>	<u>Unrealized Gains (Losses) on Financial Products</u>	<u>Net Loss Not Recognized as Pension Cost</u>	<u>Total</u>
	<u>Common Stock</u>	<u>Capital Surplus</u>	<u>Legal Reserve</u>	<u>Special Reserve</u>	<u>Unappropriated Retained Earnings</u>				
<b>Beginning Balance, January 1, 2008</b>	\$ 11,572,127	1,298,456	1,391,897	3,481,254	2,663,231	(15,202)	(9,182)	-	20,382,581
Legal Reserve	-	-	266,323	-	(266,323)	-	-	-	-
Special Reserve	-	-	-	535,480	(535,480)	-	-	-	-
Cash Dividends	-	-	-	-	(1,833,814)	-	-	-	(1,833,814)
Employee Bonus	-	-	-	-	(18,614)	-	-	-	(18,614)
Compensation of Directors and Supervisors	-	-	-	-	(9,000)	-	-	-	(9,000)
Cumulative Translation Adjustments	-	-	-	-	-	27,334	-	-	27,334
Unrealized Losses on Financial Instruments	-	-	-	-	-	-	(96,586)	-	(96,586)
Net Income for The Year Ended December 31, 2008	-	-	-	-	415,475	-	-	-	415,475
<b>Ending Balance, December 31, 2008</b>	<u>11,572,127</u>	<u>1,298,456</u>	<u>1,658,220</u>	<u>4,016,734</u>	<u>415,475</u>	<u>12,132</u>	<u>(105,768)</u>	<u>-</u>	<u>18,867,376</u>
Legal Reserve	-	-	41,548	-	(41,548)	-	-	-	-
Special Reserve	-	-	-	179,681	(179,681)	-	-	-	-
Cash Dividends	-	-	-	-	(194,246)	-	-	-	(194,246)
Cumulative Translation Adjustments	-	-	-	-	-	(40,214)	-	-	(40,214)
Unrealized Gains on Financial Products	-	-	-	-	-	-	112,247	-	112,247
Net Loss Not Recognized as Pension Cost	-	-	-	-	-	-	-	(21,201)	(21,201)
Net Income for The Year Ended December 31, 2009	-	-	-	-	1,553,382	-	-	-	1,553,382
<b>Ending Balance, December 31, 2009</b>	<u>\$ 11,572,127</u>	<u>1,298,456</u>	<u>1,699,768</u>	<u>4,196,415</u>	<u>1,553,382</u>	<u>(28,082)</u>	<u>6,479</u>	<u>(21,201)</u>	<u>20,277,344</u>

Note: For the year ended December 31, 2009 and 2008, the employee bonuses, directors' and supervisors' remuneration had been deducted from the statements of income, please refer to Note 4(Q).

(See the accompanying notes to the financial statements)

**JIH SUN SECURITIES CO., LTD.**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008**  
(expressed in thousands of New Taiwan dollars)

	<u>2009</u>	<u>2008</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income	\$ 1,553,382	415,475
<b>Adjustments to reconcile net income to net cash provided by (used in) operating activities:</b>		
Depreciation	116,420	145,753
Amortization	29,576	24,214
Valuation gain on open-end mutual funds and money market instruments	(6,496)	(11,250)
Valuation (gain) loss on operating securities	(94,901)	38,087
Provision for securities trading loss reserve	41,538	9,075
Investment gain- equity method	(104,459)	(300,284)
Dividend recognized under the equity method	185,407	68,608
Loss on disposal of properties	23,271	8,898
Proceeds from sale of fixed asset	(24)	-
Loss impairment of financial asset	56,180	-
<b>Changes in operating assets and liabilities</b>		
Financial assets measured at fair value through profit or loss - current	5,049,657	6,070,615
Bond investments under resale agreements	880,246	274,184
Margin loans receivable, net	(9,375,978)	15,438,084
Refinancing margin	(4,652)	1,041
Refinancing collateral receivable	(5,104)	762
Security borrowing collateral price	(30,069)	(9,661)
Security borrowing margin	(27,166)	(8,732)
Notes receivable	107	141
Accounts receivable	(269,555)	672,789
Prepayments	53,769	(8,711)
Other receivables	(26,506)	42,160
Deferred income tax assets - current	6,449	(2,115)
Deferred income tax assets - non-current	2,450	(2,395)
Financial asset available-for-sale-current	616,562	-
Cash and cash equivalents - receipts under custody from customers' security subscription	-	942
Cash and cash equivalents - receipts under custody from exercise of warrant	-	1
Debit items for trade brokerage	(154,378)	1,049,042
Liabilities for bonds with attached repurchase agreements	(9,257,960)	(3,218,833)
Financial liabilities measured at fair value through profit or loss - current	226,566	(348,407)
Securities financing refundable deposits	891,834	(252,365)
Deposits payable for securities financing	1,051,358	(291,155)
Accounts payable	633,764	(716,314)
Advance receipts	19,994	(56,604)
Receipts under custody	2,479	(2,970)
Other payables	940,554	(1,414,506)
Accrued pension liabilities	5,407	3,314
<b>Net cash (used in) provided by operating activities</b>	<u>(6,970,278)</u>	<u>17,618,883</u>

**JIH SUN SECURITIES CO., LTD.**  
**STATEMENTS OF CASH FLOWS (CONT'D)**  
**FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008**  
(expressed in thousands of New Taiwan dollars)

	<u>2009</u>	<u>2008</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Decrease in restricted assets	\$ 348,951	221,790
Decrease (Increase) in equity investments under equity method	144,997	(211,380)
Increase in available-for-sale financial assets - non-current	-	(78,331)
Acquisition of fixed assets	(33,230)	(54,680)
Proceeds from disposal of fixed assets	391	16
Decrease in operation guaranteed deposits	60,000	15,000
Decrease in clearing and settlement fund	24,229	6,894
Decrease in other assets - refundable deposits	15,969	28,219
Increase in intangible asset and deferred debits, net	(3,743)	(5,884)
<b>Net Cash Provided by (Used in) Investing Activities</b>	<u>557,564</u>	<u>(78,356)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase(Decrease) in short-term loans	1,380,000	(3,455,000)
Increase (Decrease) in commercial paper payable, net	1,549,658	(4,104,939)
Increase in other liability - refundable deposits	223	83
Decrease in long-term borrowings	(1,338,220)	(2,857,845)
Cash dividends	(194,246)	(1,833,814)
Cash bonus to directors and supervisors, and employees	-	(27,614)
<b>Net Cash Provided by (Used in) Financing Activities</b>	<u>1,397,415</u>	<u>(12,279,129)</u>
<b>Net (Decrease) Increase in Cash and Cash Equivalents</b>	<u>(5,015,299)</u>	<u>5,261,398</u>
<b>Cash and Cash Equivalents, Beginning of Period</b>	<u>6,346,187</u>	<u>1,084,789</u>
<b>Cash and Cash Equivalents, End of Period</b>	<u><b>\$ 1,330,888</b></u>	<u><b>6,346,187</b></u>
<b>SUPPLEMENTAL CASH FLOW INFORMATION</b>		
Interest paid during the year	<u><b>\$ 43,698</b></u>	<u><b>272,298</b></u>
Income tax paid during the year	<u><b>\$ 162,303</b></u>	<u><b>826,316</b></u>
<b>NON-CASH OPERATING ACTIVITIES</b>		
Reclassification from financial assets measured at fair value through profit or loss - current to available-for-sale financial assets - current	<u><b>\$ -</b></u>	<u><b>1,045,859</b></u>
Loss on adjustment of available-for-sale financial assets recorded in stockholder's equities	<u><b>\$ 66,752</b></u>	<u><b>83,594</b></u>

(See the accompanying notes to the financial statements)

**JIH SUN SECURITIES CO., LTD.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2009 AND 2008**  
(expressed in thousands of New Taiwan dollars, unless otherwise stated)

**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, 2009, after merging and capital increase, the Company had established 42 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 Limited Co.” The conversion date of record was settled on February 5, 2002.

Parent company: Jih Sun Financial Holding Limited Co.

The number of employees : 1,679

**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”, “Business Accounting Act”, “Regulation on Business Entity Accounting Handling”, and “Generally Accepted Accounting Principles of the Republic of China”. The significant accounting policies and bases of measurement adopted in preparing these financial statements are as follows:

**(A) Accounting Estimates**

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, pension, asset impairment, reserve for loss on breaches of contract, and trading loss reserve etc. Because the estimation was usually determined under the uncertain condition, and the actual results could differ from these estimates.

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

(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. Non-derivative foreign currency transactions are recorded at the spot rate on the date of transaction. Monetary assets and liabilities denominated in foreign currencies are revalued at the spot rate on the balance sheet date. The resulting exchange gains or losses are recorded as non-operating income or loss. 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 translation of the financial statement is determined by the translated differences arising from the financial statement of 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.

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

(F) Financial Assets Measured at Fair Value Through Profit or Loss

The company adopted SFAS No. 34 “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 classed 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 instruments (except for financial guaranteed contract and derivative instruments 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 instruments.

The hybrid instruments should be recognized as host contracts and embedded derivatives respectively while they are held. However, if the 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, for avoiding the fluctuation of issuance price of warrants, 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.

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

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

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

(G) Financial Derivative Instruments

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

a. The transaction deposits or right fees which are paid or received from futures department which engages in futures – dealer and option transaction business and the amount of the change of guaranty deposits or right fee from unclosed position which raises by evaluation day-to-day are recorded as the “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.

b. Interest rate swaps

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

c. Convertible corporate bonds asset swaps and options

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

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

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

d. 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 is recorded as receivable or payable.

(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 resell. 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 resell terms for financing purposes are recorded as “bond investments under resale agreements”. Upon execution of resell terms, the difference between the resale price and financing amount is recorded as interest income.

(I) Margin Loans, Securities Financing and Refinancing

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.

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; 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.

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

(J) Allowance for Bad Debts

Allowance for bad debts is provided by assessing the collectability of the balance of notes and accounts receivable at year-end.

(K) Funds and Long-Term Investments

a. 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 power, 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, the parent-subsidiary relation is formed. In addition to value by equity method, the company should prepare the consolidated financial statements in compliance with SFAS NO.7.

b. 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.

(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 income or loss.

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

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) 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 income.

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 classed 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 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. Securities covering obligations in short sales or securities borrowing

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

- e. Financial assets held for trading whose subsequent valuations measured at fair value as negative

The account was classified as investment in bonds with resale agreements - short sales, warrants liabilities, stock borrowing and derivative financial instruments. Derivative financial liabilities refer to those liabilities accounts created when a securities firm engages in derivative financial product transactions.

The hybrid instruments should be recognized as host contracts and embedded derivatives respectively while they are held. However, if the 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 investor 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.

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. On the basis of Tai-Cai-Zheng (7) NO.0920154924, the amounts from selling of securities borrowing or securities financing are recognized as the "Liabilities on sale of borrowed securities-hedged" and value with HCM method. The market price evaluates at closing price on the date of the accounting period ended. The short covering should calculate by moving-averaged method, the gain from short covering should 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.

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

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

(O) Reserve for Loss on Breaches of Contract

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

(P) Trading Loss Reserve

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

(Q) 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.

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

Commencing from December 31, 1995, the Company adopted SFAS No. 18, "Accounting for Pensions", and computed unrecognized transitional net assets or net benefit obligations when this statement was first applied. Effective in 1996, the unrecognized transitional net assets or net benefit obligations, in accordance with January 20, 1995 (84) Tai-Cai- Zheng (6) NO.00142 are amortized on a straight-line basis over the average remaining service period of employees still in service and expected to receive benefits, and should be included in the net pension cost. If the average remaining service period is less than 15 years, however, the employer has to use 15 years for amortization purposes.

According to the rule, the Company should bear the full responsibility of paying the pension. The Labor Pension Act of R.O.C. ("the Act"), effective from July 1, 2005; adopts a defined contribution pension plan. Employees of the Company (who were hired before July 1, 2005) may elect to be subject to either the Act and maintain their seniority before the enforcement of the Act, or the pension mechanism of the Labor Standards Law. Employees who are employed by the Company after July 1, 2005, are required to be covered by the pension plan as defined by the Act. For employees subject to this Act, the Company is required to make monthly cash contributions to the employees' individual pension accounts at the rate of not less than 6% of the employees' monthly wages and deposit the contribution in a personal retirement benefit account. However, the employee retirement plan maintained by the Company has not yet been amended to conform to this Act. Therefore, the labor pension rule will be effective if the employee retirement plan has not yet been covered.

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

Under SFAS No. 18 "Accounting for Pensions," the balance sheet date is the measurement date of the actuarial report, and a minimum pension liability is recorded in the financial statements based on the difference between the accumulated benefit obligation and the fair value of plan assets. Commencing from January 1, 1996, net periodic pension cost recognized in accordance with SFAS No. 18 includes the current service cost, net transition asset or obligation, prior service cost, and unrecognized gain or loss on the pension plan, which is amortized using the straight-line method over the expected average remaining service period of 15 years of the employees in accordance with the rules set by the SFB.

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

(R) 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.

(S) Income Tax

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

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

Furthermore, for the year ended December 31, 2003, the Company and the parent company, "Jih Sun Financial Holding Limited Co.", and its affiliate "Jih Sun International Bank Ltd." adopted the consolidated tax filing return principle to file the annual income tax return and make tax payment. 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.

(T) Revenue

Revenue is recognized when realized or realizable and earned.

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

(U) Earnings per share

EPS is calculated by dividing the net income (loss), by the weighted-average shares outstanding during the period. In the case of capital increase through capitalization of retained earnings, capital surplus, or employee bonuses paid for or before the year 2008, EPS is retroactively adjusted.

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

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

As of January 1, 2008, according to the Republic of China Statements of Financial Accounting Standards (SFAS) No. 39 “Share-based Payment” and Interpretation (96) No. 052 issued by the Accounting Research and Development Foundation. The Company adopted the above regulations caused to the deduction of \$1,000 on the net income after tax and \$0.0006 dollars on earnings per share during 2008. The adoption had no significant effects on profit and earnings per share for the year 2008.

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

**4. SUMMARY OF MAJOR ACCOUNTS**

(A) CASH AND CASH EQUIVALENTS

	<b>December 31,</b>	
	<b>2009</b>	<b>2008</b>
Cash in banks:		
Savings accounts	\$ 137,607	148,645
Checking accounts	31,084	87,842
Time deposits	-	5,960,000
Cash equivalent:		
Commercial paper	1,162,197	149,700
Total	<b>\$ 1,330,888</b>	<b>6,346,187</b>

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

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

	<b>December 31,</b>	
	<b>2009</b>	<b>2008</b>
Open-end fund and money market instruments	\$ 145,340	303,844
Securities held for operations - proprietary	5,850,204	11,301,897
Securities held for operations - underwriting	76,799	5,775
Securities held for operations - hedging	650,781	-
Buy option - Speculation	918	2,200
Futures margin - own funds	159,526	225,378
Derivative financial assets - OTC	20,374	13,108
<b>Total</b>	<b>\$ 6,903,942</b>	<b>11,852,202</b>

a. OPEN-END FUND AND MONEY MARKET INSTRUMENT

	<b>December 31,</b>			
	<b>2009</b>		<b>2008</b>	
	<b>Cost</b>	<b>Market Value</b>	<b>Cost</b>	<b>Market Value</b>
Open-end fund and money market instruments	\$ 139,020	<u>145,340</u>	304,020	<u>303,844</u>
Valuation adjustment on open-end fund and money market instruments	6,320		(176)	
<b>Total</b>	<b>\$ 145,340</b>		<b>303,844</b>	

b. SECURITIES HELD FOR OPERATIONS – PROPRIETARY

	<b>December 31,</b>	
	<b>2009</b>	<b>2008</b>
Listed stocks	\$ 1,673,024	26,625
Over-the-counter stocks and bonds	511,661	16,747
Emerging stocks	231,188	241,360
Government bonds	1,921,325	8,391,498
Corporate bonds	1,331,981	2,125,599
Financial debentures	14,300	401,447
Subtotal	5,683,479	11,203,276
Valuation adjustment on securities held for operations - proprietary	166,725	98,621
<b>Net</b>	<b>\$ 5,850,204</b>	<b>11,301,897</b>
<b>Market value</b>	<b>\$ 5,850,204</b>	<b>11,301,897</b>

As of December 31, 2009 and 2008, the securities held for operations - proprietary amounted to \$3,241,035 and \$10,868,344 were provided for repurchase agreements.

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

c. SECURITIES HELD FOR OPERATIONS - UNDERWRITING

	<b>December 31,</b>	
	<b>2009</b>	<b>2008</b>
Listed stocks	\$ 27,738	237
Over-the-counter stocks and bonds	28,566	883
Unlisted stocks and bonds	30,825	24,719
Subtotal	87,129	25,839
Valuation adjustment on securities held for operations - underwriting	(10,330)	(20,064)
Net	<b>\$ 76,799</b>	<b>5,775</b>
Market value	<b>\$ 76,799</b>	<b>5,775</b>

d. SECURITIES HELD FOR OPERATING – HEDGING

	<b>December 31,</b>	
	<b>2009</b>	<b>2008</b>
Listed stocks	\$ 419,168	-
Over-the-counter stocks	214,551	-
Subtotal	633,719	-
Valuation adjustment on securities held for operations - hedging	17,062	-
Net	<b>\$ 650,781</b>	-
Market value	<b>\$ 650,781</b>	-

(C) BOND INVESTMENTS UNDER RESALE AGREEMENTS

	<b>December 31,</b>	
	<b>2009</b>	<b>2008</b>
Financial debentures	\$ -	<b>880,246</b>

These bonds were made available for resale at an agreed amount of \$897,474 after December 31, 2008.

(D) AVAILIABLE FOR SALE FINANCIAL ASSETS – CURRENT

	<b>December 31,</b>	
	<b>2009</b>	<b>2008</b>
Available-for-sale financial assets - current - securities held for operations - proprietary	\$ -	315,439
Available-for-sale financial assets - current - securities held for operations - underwriting	408,992	710,115
Adjustments in the valuation of available-for-sale financial assets	(16,841)	(83,594)
Total	<b>\$ 392,151</b>	<b>941,960</b>

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

(E) FUNDS AND LONG-TERM INVESTMENTS

a. Stock investments measured by equity method :

<b>December 31, 2009</b>		
Valuation by equity method	Ownership %	Amount
Jih Sun Futures Co., Ltd. (original investment cost \$618,268 )	98.138	\$ 1,230,801
Jih Sun International Investment Holding Company Limited (original investment cost \$1,795,250 (US\$54,600))	100.00	1,641,667
Jih Sun Securities Investment Consulting Co., Ltd. (original investment cost \$173,600)	100.00	60,532
Jih Sun Securities Investment Trust Corp. (original investment cost \$211,380)	20.00	232,966
Subtotal		<b>\$ 3,165,966</b>

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

For the year ended December 31, 2009 and 2008, gain or loss of valuation on investment by equity method and cumulative translation adjustment of foreign currency valuation were as follows:

	<b>2009</b>	<b>2008</b>
Jih Sun Futures Co., Ltd.		
- gain on investment	<b>\$ 162,366</b>	<b>231,222</b>
Jih Sun International Investment Holding Company Limited		
- (loss) gain on investment	\$ (67,261)	50,966
- cumulative translation adjustment	(40,214)	27,334
- unrealized gain (loss) on available-for-sale financial assets	45,495	(12,992)
Total	<b>\$ (61,980)</b>	<b>65,308</b>
Jih Sun Securities Investment Consulting Co., Ltd.		
- (loss)gain on investment	<b>\$ (2,840)</b>	<b>352</b>

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

	<b>2009</b>	<b>2008</b>
Jih Sun Futures Management Co., Ltd.		
- loss on investment (note)	<b>\$ (17,515)</b>	<b>(5,331)</b>
Jih Sun Securities Investment Trust Corp.		
- gain on investment	<b>\$ 29,709</b>	<b>23,076</b>

Note: The investee company of Jih Sun Futures Management Co., Ltd. had entered into liquidating procedure in May 2009. In November, 2009, the company has retrieved all shares which amount to \$144,998, and the difference has recognized as investment loss.

The above profit of equity investment and the other related investment which are calculated under equity method, all of the them had been audited by the Accountants, except for the financial statement of Jih Sun Futures Management Co., Ltd. in the year of 2009, and the Company considers no significant difference if the financial statement was audited.

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 :

<b>December 31, 2009</b>		
Available-for-sale financial assets non-current	<b>Ownership %</b>	<b>Amount</b>
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
Fubon Securities Finance Co., Ltd.	1.97	74,542
Global Securities Finance Corporation	0.88	57,832
En Tie Securities Finance Co., Ltd. (note 2)	0.24	11,628
Top Taiwan III Venture Capital Co., Ltd.	10.00	100,000
Parawin Venture Capital Corp.	6.00	43,046
Cotillion III Venture Capital Corp.	9.23	45,771
PK III Venture Corp.	9.29	65,000
Taiwan Integrated Shareholder Service Company	5.80	14,199
Hui Yang Venture Capital Group	7.69	118,466
Subtotal		<b>\$ 1,349,812</b>

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

**December 31, 2008**

Available-for-sale financial assets non-current	Ownership %	Amount
Taiwan Stock Exchange Corporation	3.00	\$ 586,067
Taiwan Securities Central Depository Co., Ltd.	1.74	43,789
Taiwan Futures Exchange Co., Ltd.	2.69	189,472
Fubon Securities Finance Co., Ltd.	1.97	74,542
Global Securities Finance Corporation	0.88	57,832
En Tie Securities Finance Co., Ltd.(note 2)	0.24	12,444
Top Taiwan III Venture Capital Co., Ltd.	10.00	100,000
Parawin Venture Capital Corp.	6.00	60,000
Cotillion III Venture Capital Corp.	9.96	50,000
PK III Venture Corp.	9.29	65,000
Taiwan Integrated Shareholder Service Company	5.80	16,846
Hui Yang Venture Capital Group	7.69	150,000
Subtotal		<u><u>\$ 1,405,992</u></u>

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

Note (2): En Tie Securities Finance Co., Ltd., in which the Company invested by cost method, has resolved to merge with Capital Securities Corp. After the merger, Capital Securities Corp. is the surviving entity, the ratio of share exchange is 1.4086 shares of En Tie Securities Finance Co., Ltd. for 1 share of Capital Group Co., Ltd., and the record day for the stock conversion will be March 1, 2010.

The evidence presented that the investment value of Cotillion III Venture Capital Corp., Parawin Venture Capital Corp., En Tie Securities Finance Co., Ltd., Taiwan Integrated Shareholder Service Company, and Hui Yang Venture Capital Group had already impaired, therefore the Company recognized the loss impairment of \$ 4,229, \$16,954, \$816, \$2,647 and \$31,534, respectively.

(F) FIXED ASSETS

December 31, 2009	Cost	Accumulated Depreciation	Net
Land	\$ 1,259,205	-	1,259,205
Buildings	568,404	201,256	367,148
Machinery and equipment	925,085	798,784	126,301
Prepayment for equipment	1,320	-	1,320
Leasehold improvements	386,774	324,249	62,525
Total	<u><u>\$ 3,140,788</u></u>	<u><u>1,324,289</u></u>	<u><u>1,816,499</u></u>

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

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

The details relate to the pledged fixed asset, please refer to note 6.

(G) SHORT-TERM LOANS

<u>Nature of the loan</u>	<u>Amount</u>	<u>Interest rate</u>	<u>Credit line</u>	<u>Pledged assets</u>
<b>December 31, 2009</b>				
Credit loans	\$ 820,000	0.62%~0.66%	3,100,000	-
Mortgage loans	560,000	0.7%	1,700,000	Time deposits
<b>Total</b>	<b>\$ 1,380,000</b>			

(H) COMMERCIAL PAPER PAYABLE – NET

	<u>December 31,</u>	
	<u>2009</u>	<u>2008</u>
Commercial paper payable	\$ 1,550,000	-
Less: Unamortized discount	(342)	-
<b>Net</b>	<b>\$ 1,549,658</b>	<b>-</b>

The issuance period for commercial paper payable is within 365 days. The annual interest rates ranged from 0.20% to 0.43% during the year ended December 31, 2009 .

(I) LIABILITIES FOR BONDS WITH ATTACHED REPURCHASE AGREEMENTS

	<u>December 31,</u>	
	<u>2009</u>	<u>2008</u>
Central Government Construction Bonds	\$ 1,989,447	9,177,047
Corporate bonds	1,324,821	2,114,671
Financial debentures	-	1,280,510
<b>Total</b>	<b>\$ 3,314,268</b>	<b>12,572,228</b>

Based on the repurchase agreements, after December 31, 2009 and 2008, the Company is obligated to repurchase the above bonds at the sales price plus a mark-up of \$3,314,637 and \$12,595,926, respectively.

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

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

	December 31,	
	2009	2008
<b>Financial liabilities held for trading:</b>		
Warrants liabilities	\$ 6,166,420	37,580
Warrants redeemed	(6,030,692)	(33,335)
Sell option – speculation	1,417	2,521
Liabilities on sale of borrowed securities - hedged - stock	42,348	9,810
Derivative financial liabilities - OTC	17,187	15,880
<b>Financial liabilities designated as at fair value through profit or loss - current</b>		
Structured notes	62,342	-
<b>Total</b>	<b>\$ 259,022</b>	<b>32,456</b>

(K) CORPORATE BOND PAYABLE

Trustee and Certification Institution	Period	December 31,		Pledged Assets
		2009	2008	
Cathay United Bank	2004.11.25~2009.11.25	\$ -	500,000	Time deposits, land and building
"	2004.11.26~2009.11.26	-	500,000	"
Subtotal		-	1,000,000	
Less: maturity within one year		-	(1,000,000)	
Net		<b>\$ -</b>	<b>-</b>	

On September 20, 2004, the Company's Board of Directors approved the issuance of the first local secured bonds of \$1,000,000, in accordance with Financial Supervisory Commission, Executive Yuan, Jin-Kuan-Jen(2) No. 0930152308, dated November 18, 2004. The main purpose of the issuance is to increase the working capital and enhance the financial structure. Due to the difference in issuing terms and maturity date, the corporate bonds were divided into A and B bonds, at par value of \$10,000 per share, with a total of 100 units issued, at an annual interest rate of 2.65% for a 5-year period, and issued at par value. From the issuing date, the interest is payable once a year, and the principal would be due and repayable at the end of the 5-year period.

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

(L) LONG-TERM BORROWINGS - NET

<b>Bank/Bills Finance Corp.</b>			<b>December 31,</b>		<b>Note</b>
<b>Commercial paper payable</b>	<b>Period</b>	<b>Credit line</b>	<b>2009</b>	<b>2008</b>	
China Bills Finance Corp.	2007.03.08~2010.03.07	\$ 500,000	500,000	500,000	Use circularly within limit
Mega Bills Finance Corp.	2007.03.06~2010.03.05	500,000	500,000	500,000	"
International Bills Financial Corp.	2007.02.07~2010.02.07	500,000	-	100,000	Note 1
International Bills Financial Corp.	2007.06.04~2010.06.04	300,000	-	240,000	"
Subtotal			1,000,000	1,340,000	
Less: Unamortized discount			(106)	(1,886)	
long-term loans payable			(999,894)	-	
-current portion					
Net			-	1,338,114	

Note 1: The contract has terminated on February, 26, 2009 ahead of time.

(M) 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, 2009 and 2008, the total land value incremental tax payable amounted to \$28,870.

(N) DEBIT(CREDIT) ITEMS FOR TRADE BROKERAGE – NET

			<b>December 31,</b>	
			<b>2009</b>	<b>2008</b>
<b>SECURITIES BROKERAGE DEBIT ACCOUNTS</b>				
	Cash and cash equivalents - settlement amounts	\$	157,947	139,377
	Receivable price of securities purchased for customers		12,003	2,869,123
	Receivable accounts for settlement		9,408,618	1,428,158
	Settlement price		1,304,059	487,165
	Subtotal		10,882,627	4,923,823
<b>SECURITIES BROKERAGE CREDIT ACCOUNTS</b>				
	Prices payable of securities sold for customers		22,071	2,997,155
	Settlement accounts payable		10,492,024	1,712,514
	Subtotal		10,514,095	4,709,669
Net		\$	368,532	214,154

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

(O) 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 2009 and 2008 are summarized as follows:

	<u>2009</u>	<u>2008</u>
Beginning balance	\$ 61,095	60,690
Add: interest	523	1,518
Less: expense	(3,620)	(1,113)
Ending balance	<u>\$ 57,998</u>	<u>61,095</u>

- 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 2009 and 2008 are summarized as follows:

	<u>2009</u>	<u>2008</u>
Beginning balance of pension fund	\$ 197,017	199,006
Current expense of pension fund:		
Defined benefit pension plan	23,899	22,872
Defined contribution pension plan	53,690	85,561
Ending balance of pension fund payable	130,042	103,434

- c. For the years ended December 31, 2009 and 2008, the components of net pension costs were as follows:

	<u>2009</u>	<u>2008</u>
Service cost	\$ 15,063	14,574
Interest cost	10,142	11,610
Projected return on pension plan assets	(5,171)	(4,654)
Amortization of loss on unrecognized pension gain	3,349	1,342
Loss on payment	516	-
Net pension costs	<u>\$ 23,899</u>	<u>22,872</u>

- d. Actuarial assumptions used and the reconciliation between pension funding status and accrued pension liabilities per books were as follows:

	<u>December 31,</u>	
	<u>2009</u>	<u>2008</u>
Discount rate	2.25%	2.50%
Future salary increase rate	2.00%	2.00%
Projected long-term rate of return on pension plan assets	2.00%	2.50%

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

	December 31,	
	2009	2008
Benefit obligation		
Vested benefit obligation	\$ (28,258)	(20,774)
Non-vested benefit obligation	(298,801)	(278,580)
Accumulated benefit obligation	(327,059)	(299,354)
Additional benefit based on future salaries	(114,194)	(107,400)
Projected benefit obligation	(441,253)	(406,754)
Fair value of pension fund assets	197,017	199,006
Funding status	(244,236)	(207,748)
Unrecognized gain on pension fund	135,395	104,314
Unrecognized loss of pension cost - net	(21,201)	-
Accrual pension fund liability	<b>\$ (130,042)</b>	<b>(103,434)</b>

(P) CAPITAL STOCK

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, 2009, the Company's authorized capital amounted to \$12,200,000. As of December 31, 2009, the Company's paid-in capital amounted to \$11,572,127. The issued shares include 1,157,212,760 shares with \$10 per share.

(Q) EARNINGS DISTRIBUTION

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

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

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

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

As of December 31, 2009, the company's estimated employee bonuses and directors' remuneration amounted to \$11,869 and \$ 9,000, 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. For the year ended December 31, 2009, in order to reward employees and comply with the Company's Articles of Association, the discrepancy between the Company estimate employees' bonus and directors' remuneration and the actual distribution was \$9,942. The difference was included in the Income statement in 2009.

The company held a meeting of board of directors on February 25, 2009 and January 31, 2008 replaced shareholders' power to agree earnings distribution of 2008 and 2007. (The related information would be found on the Internet, such as Market Observation Post System.)

Distribution of employee bonus and remuneration of directors and supervisors were as follows:

	<b>2008</b>
Employee bonus - cash	\$ 1,942
Remuneration of directors and supervisors	9,000
Total	<b>\$ 10,942</b>

**(R) INCOME TAX**

The Company's statutory tax rate is 25%, and the basic amount of tax is calculated in compliance with "Income Basic Tax Act". According to the new amended income tax clause, the Company's appropriated income tax rate will be changed to 20% since 2010.

a. The Company's income tax components in 2009 and 2008 were as follows:

	<b>2009</b>	<b>2008</b>
Current year income tax expense	\$ 347,337	317,371
Adjustment of prior year's income tax expense and the taxable difference assessed by tax authority	289,047	45,502
Deferred income tax expenses (benefit)	12,368	(4,510)
Income tax expense	<b>\$ 648,752</b>	<b>358,363</b>

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

- b. The difference between tax calculated by tax law and tax expense in 2009 and 2008 are listed as follows:

	<u>2009</u>	<u>2008</u>
Income tax calculated based on income before income tax at legal tax rate	\$ 550,534	193,460
Valuation (gain)loss on operating securities and short-term investments	(40,972)	6,709
Gain on long-term equity investments – equity method	(26,115)	(75,071)
Difference between financial and tax treatment of bonds with repurchase agreement	(46,812)	(160,687)
Suspend to impose capital gains tax	(89,094)	370,306
Difference between financial and tax treatment of stock warrants	8,036	557
Reversal of provision for securities trading loss	10,384	2,269
Financial asset impairment loss	14,045	-
Allowance evaluation-deductible investment	9,918	-
Adjustment of prior year's income tax estimation	289,047	43,387
Effects of change in income tax rate	9,102	-
Others	(39,321)	(22,567)
Income tax expense	<u><u>\$ 648,752</u></u>	<u><u>358,363</u></u>

- c. As of December 31, 2009 and 2008, the temporary differences resulting in deferred income tax assets (liabilities), loss carry forwards, investment tax credit and other tax effects were as follows:

	<u>December 31,</u>			
	<u>2009</u>		<u>2008</u>	
	<u>Amount</u>	<u>Tax effect</u>	<u>Amount</u>	<u>Tax effect</u>
Deferred tax assets – current:				
Investment tax credit	\$ 33,059	9,918	21,499	6,449
Allowance evaluation	(33,059)	(9,918)	-	-
Subtotal	-	-	21,499	6,449
Deferred tax assets – non-current:				
Provision for default loss reserve	52,000	10,400	52,000	13,000
Provision for pension fund in excess of the actual provision	130,042	26,008	103,434	25,858
Subtotal	182,042	36,408	155,434	38,858
Total	<u><u>\$ 182,042</u></u>	<u><u>36,408</u></u>	<u><u>176,933</u></u>	<u><u>45,307</u></u>

- d. The Company's income tax returns of 2005 were assessed by National Tax Administration.

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

- e. For the year ended 2003, the National Tax Administration decided additional income tax of \$269,330. The adjusted items are mainly from the premium and estimate premium of warrant issuance. Except for the disputed issues amounted to \$14,090 of tax of bond transaction and the over payment of tax withheld from tax compromise, the remaining amount had already been accrued. The Company filed appeals with the Tax Authority. For the issue of over payment was rejected, the Company filed re-appeals with the ministry of finance.
- f. For the year ended 2004, the National Tax Administration examined additional income tax of \$795,820. The mainly adjusted items is the premium and estimated premium of warrant issuance. Except for the income tax of \$25,148 which paid for the Financial Holding Co. shall be included into undistributed earning surtax 10% and adjusted within the Financial Holding Co under consolidate corporate income tax return. The remaining amount of income tax had been accrued. The Company filed appeals with the Tax Authority.
- g. For the year ended 2005, the National Tax Administration assessed additional income tax of \$145,045, mainly for the undistributed earning surtax 10% from estimated premium of warrant issuance. Apart form the income tax of \$99,429 paid for the Financial Holding Co., in 2004, shall be included into undistributed earning surtax 10%, and adjusted within the Financial Holding Co under consolidate corporate income tax return. The remaining amount of income tax were accrued on the date of receiving the letter of notice from National Tax Administration. The Company filed appeals with the Tax Authority except for the tax of bond transaction which had reached a compromise.
- h. The Company estimated its income tax on stock warrant transactions pursuant to ruling Tai Tsai Cheng No. 861922464 issued by the Ministry of Finance on December 11, 1997. Accordingly, the proceeds from the issuance of stock warrants are accounted for as royalty revenue which is included as part of taxable income. When the investors exercise their warrant rights, such transaction is subject to the securities transaction tax in accordance with the Income Tax Law, and accordingly, any capital gain or loss is not included in the determination of the annual corporate income tax. According to the tax law ,the Company estimated its income tax payable on stock warrant transactions from 2003 to June30,2007 amounted to \$1,080,482. Otherwise, according to the article of 24-2 the Income Tax Law which is passed on July 11, 2007 :
- During the period of issued date to maturity date of the stock warrant, which is issued by the issuer, the profit and the loss of the securities and financial derivative instruments, traded according to risk management, should be added to taxable income and don't apply to the Income Tax Law, the article of 4-1 and 4-2.
  - The transaction loss is produced from the trading of the stock, target valuable securities, and futures according to the risk management. The part of the transaction loss which exceeds the rest of the stock warrant right fee revenue dedcuted each related issuing cost and expenses is not deductible.

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

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

- j. Related information of imputation tax system:

	<b>December 31,</b>	
	<b>2009</b>	<b>2008</b>
Balance of stockholders’ imputation credit account	<b>\$ 4,226</b>	<b>2,277</b>
	<b>2009(estimated)</b>	<b>2008(actual )</b>
Estimated (actual) imputation credit ratio of earnings distribution to the habitants of the Republic of China	<b>0.27%</b>	<b>17.61%</b>

- k. Related information on undistributed earnings

	<b>December 31,</b>	
	<b>2009</b>	<b>2008</b>
Undistributed earnings of 1997 and before	\$ -	-
Undistributed earnings of 1998 and after	1,553,382	415,475
Total	<b>\$ 1,553,382</b>	<b>415,475</b>

**(S) EARNINGS PER SHARE**

Current income per share are computed based on the weighted-average number of common shares outstanding during the years ended December 31, 2009 and 2008, was 1,157,212,760 shares.

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

(T) RELATED INFORMATION OF FINANCIAL INSTRUMENTS

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:

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

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

	<b>Available-for-sale Financial assets - current</b>	
	<b>2009.12.31</b>	<b>2008.12.31</b>
Book value	<b>\$ 392,151</b>	<b>941,960</b>
Fair value	<b>\$ 392,151</b>	<b>941,960</b>

- (3) Reclassification of financial assets

	<b>Originally classified as financial assets held for trading</b>	
	<b>2009.12.31</b>	<b>2008.12.31</b>
Change in fair value recognized through profit and loss without reclassification	<b>\$ (66,752)</b>	<b>(83,594)</b>
The amount recognized as profit (loss) after reclassification	<b>\$ 33,933</b>	<b>(4,863)</b>

b. Financial Derivatives Instruments

- (1) Warrants

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

A. Credit risk

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

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

B. Market risk

Warrants are derivative financial instruments; 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, the uncertain amount of future cash demand and periodic uncertainty

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 instruments

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

F. Financial statement presentation of derivative financial instruments

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

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

(2) Futures and options transactions

The Company started the dealing of futures and options trading in November, 2001. As of December 31, 2009 and 2008, the futures and option trading which the Company still held were as follows:

<u>Items</u>	<u>Transaction Type</u>	<u>Holder/ Seller</u>	<u>Volume</u>	<u>Contract Amount</u>	<u>Fair Value</u>	<u>Notes</u>
<b>Dec. 31, 2009</b>						
Futures	Hang Seng Index Futures	Holder	1	\$ 4,508	4,522	Speculation
"	H-shares Index Futures	"	12	31,620	31,650	"
Total			<u>13</u>	<u>\$ 36,128</u>	<u>36,172</u>	
Options	Taiwan Stock Index Option - Put	Holder	444	\$ 1,588	912	Speculation
"	Financial Index Option -Call	"	5	4	6	"
Total			<u>449</u>	<u>\$ 1,592</u>	<u>918</u>	
Futures	Taiwan Stock Index Future	Seller	82	\$ (134,054)	(134,496)	Speculation
"	Electronics Index Futures	"	6	(8,189)	(8,202)	"
"	Hang Seng Index Futures	"	6	(27,052)	(27,130)	"
"	H-shares Index Futures	"	2	(5,266)	(5,275)	"
Total			<u>96</u>	<u>\$ (174,561)</u>	<u>(175,103)</u>	
Futures	Small Taiwan Stock Index Future	Seller	<u>2</u>	<u>\$ (794)</u>	<u>(820)</u>	Hedge
Options	Taiwan Stock Index Option- Call	Seller	<u>253</u>	<u>\$ (760)</u>	<u>(1,417)</u>	Speculation
<b>Dec. 31, 2008</b>						
Options	Taiwan Stock Index Option -Call	Holder	232	\$ 1,414	1,002	Speculation
"	Taiwan Stock Index Option -Put	"	183	1,440	1,108	"
"	Financial Index Option - Put	"	10	7	-	"
"	Stock Options - Put	"	2	1	1	"
"	Non- Electronics Index Option- Call	"	10	74	57	"
"	Electronics Index Option - Call	"	10	62	32	"
Total			<u>447</u>	<u>\$ 2,998</u>	<u>2,200</u>	
Futures	Taiwan Stock Index Future	Seller	<u>28</u>	<u>\$ (25,083)</u>	<u>(25,469)</u>	Speculation
Options	Taiwan Stock Index Option -Call	Seller	577	\$ (1,101)	(1,210)	Speculation
"	Taiwan Stock Index Option -Put	"	557	(1,609)	(1,244)	"
"	Electronics Index Option - Call	"	10	(50)	(19)	"
"	Stock Options - Call	"	20	(2)	(6)	"
"	Morgan Taiwan Stock Index Option-Call	"	90	-	-	"
"	Financial Index Option - Put	"	9	(5)	-	"
"	Non- Electronics Index Option- Call	"	10	(52)	(42)	"
Total			<u>1,273</u>	<u>\$ (2,819)</u>	<u>(2,521)</u>	

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

The above-mentioned fair value is calculated based upon the closing price of future and option on the Taiwan Futures Exchange as of December 31, 2009 and 2008.

A. Credit risk

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

B. Market risk

Since the current trading futures in the Republic of China are the Taiwan Stock Index Financial Index Futures and option, 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, the uncertain amount of future cash demand and periodic uncertainty

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

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

Margin paid by the company to engage in futures and options transactions was recognized under assets as financial assets measured at fair value through profit or loss – current of futures margin deposits. As of December 31, 2009 and 2008, futures and options transactions were as follows:

	<b>December 31,</b>	
	<b>2009</b>	<b>2008</b>
Futures margin - own funds	\$ 159,526	225,378
Buy option - speculation	918	2,200
Sell option - speculation	1,417	2,521

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

	<b>2009</b>	<b>2008</b>
Futures contract gain - realized	\$ 176,610	259,471
Futures contract gain - valuation	3,021	4
Option trading gain - realized	106,162	266,306
Option trading gain - valuation	803	7,511
<b>Total</b>	<b>\$ 286,596</b>	<b>533,292</b>

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

	<b>2009</b>	<b>2008</b>
Futures contract loss - realized	\$ 230,469	185,524
Futures contract loss - valuation	3,159	24,715
Option trading loss - realized	194,187	332,347
Option trading loss - valuation	1,634	838
<b>Total</b>	<b>\$ 429,449</b>	<b>543,424</b>

(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 security companies. As of December 31, 2009 and 2008, the interest rate swap contracts held by the Company were as follows:

<b>2009. 12. 31</b>				
<b>Condition of trading</b>	<b>Nominal principal</b>	<b>Fixed rate %</b>	<b>Floating rate index</b>	<b>Settlement date</b>
Received Fixed rate, Paid Floating rate	\$ 19,500,000	2.000~2.970%	CP90	Once a quarter
"	2,100,000	0.000~1.050	Libor6M	Once a half
Received Floating rate, Paid Fixed rate	18,200,000	1.035~2.890	CP90	Once a quarter
<b>2008. 12. 31</b>				
Received Fixed rate, Paid Floating rate	\$ 21,900,000	1.865~2.970	CP90	Once a quarter
"	2,800,000	0.000~1.050	Libor6M	Once a half
Received Floating rate, Paid Fixed rate	19,100,000	1.940~2.890	CP90	Once a quarter

B. Credit risk

Credit risk arises when the transaction party is unable to follow the terms stated in the interest rate swap contract. The Company deals with banks and securities companies with good credit, and 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 and cash flow of the assets are highly negatively correlated, the market risk will be offset.

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

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

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

- E. Type, purpose, and strategy for holding derivative financial instruments

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

(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, 2009, the nominal principal of equity-linked note and principal guarantee note were \$55,709 and \$ 7,000, respectively.

- 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, and exercise at their fair value. Since all of the hedging instruments are recorded at market fair value, there is no significant market price risk.

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

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

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 instruments – O.T.C. in the financial statements

- A. As of December 31, 2009 and 2008, the Company held positions in interest rate swaps, convertible corporate bond asset swaps and structured notes. Presentation of derivative financial instruments in the balance sheets was as follows:

	<b>December 31, 2009</b>	
	<b>Derivative Financial Assets</b>	<b>Derivative Financial Liabilities</b>
Financial derivative instruments- O.T.C		
Value of interest rate swap contracts	\$ -	17,187
Value of contracts - others	371	-
Bond options	20,003	-
Subtotal	\$ 20,374	17,187
Financial instruments designated at fair value through profit or loss		
Structure note	-	<b>62,342</b>
<b>TOTAL</b>	<b>\$ 20,374</b>	<b>79,529</b>
	<b>December 31, 2008</b>	
	<b>Derivative Financial Assets</b>	<b>Derivative Financial Liabilities</b>
Value of interest rate swap contracts	\$ -	15,880
Bond options	13,108	-
<b>TOTAL</b>	<b>\$ 13,108</b>	<b>15,880</b>

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

- B. For the year ended December 31, 2009 and 2008, the Company engaged in interest rate swaps, convertible corporate bond asset swaps and structured notes, and the related presentation of the income or loss from derivative financial instruments in the statement of income was as follows:

	<b>Gain (loss) on derivative financial instruments – O.T.C</b>	
	<b>2009</b>	<b>2008</b>
Value of interest rate swap contracts	\$ (2,998)	40,933
Asset swap option	-	5,106
Bond option	64,474	(34,082)
Structure note	(11,282)	7,609
Others	371	-
<b>Total</b>	<b>\$ 50,565</b>	<b>19,566</b>

c. Fair Value of Financial Instruments

	<b>December 31</b>			
	<b>2009</b>		<b>2008</b>	
<b>Financial Assets</b>	<b>Book Value</b>	<b>Fair Value</b>	<b>Book Value</b>	<b>Fair Value</b>
Financial assets with book value equal to fair value	\$ 21,144,976	21,144,976	17,066,262	17,066,262
Financial assets measured at fair value through profit or loss - current				
Open-end fund and money market instruments	145,340	145,340	303,844	303,844
Securities held for operations	6,577,784	6,577,784	11,307,672	11,307,672
Buy option - speculation	918	918	2,200	2,200
Futures margin - own funds	159,526	159,526	225,378	225,378
Derivative financial assets - OTC	20,374	20,374	13,108	13,108
Available-for-sale financial assets -current	392,151	392,151	941,960	941,960
Available-for-sale financial assets - non-current	1,349,812	1,349,812	1,405,992	1,405,992
<b>Total</b>	<b>\$ 29,790,881</b>	<b>29,790,881</b>	<b>31,266,416</b>	<b>31,266,416</b>
<b>Financial Liabilities</b>				
Financial liabilities with book value equal to fair value	\$ 14,357,401	14,357,401	3,569,240	3,569,240
Financial liabilities measured at fair value through profit or loss - current				
Warrants liabilities	6,166,420	6,166,420	37,580	37,580
Warrants redeemed	(6,030,692)	(6,030,692)	(33,335)	(33,335)
Sell options - speculation	1,417	1,417	2,521	2,521
Liabilities on sale of borrowed securities - hedged	42,348	42,348	9,810	9,810
Derivative financial liabilities - OTC	17,187	17,187	15,880	15,880
Financial liabilities designated at fair value through profit or loss - current	62,342	62,342	-	-
<b>Total</b>	<b>\$ 14,616,423</b>	<b>14,616,423</b>	<b>3,601,696</b>	<b>3,601,696</b>

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

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

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

The fair value of short-term instruments are estimated using their book value; since such instruments will mature within a short time, the book value is a reasonable basis to estimate the fair value. Short-term financial instruments 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, 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 short-term borrowings, commercial paper payable, liabilities for bonds with attached repurchase agreements, securities financing refundable deposits, deposits payable for securities financing, accounts payable, other payable, long-term liability - current portion, long-term borrowings, other liability - refundable deposits, 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.

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

- 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 :

<u>Names of Financial Assets and Financial Liabilities</u>	<b>2009.12.31</b>	
	<u>Amount by open market price</u>	<u>Amount by evaluation method</u>
<b>Financial Assets</b>		
Financial assets with book value equal to fair value	\$ -	21,144,976
Financial assets measured at fair value through profit or loss - current		
Open-end fund and money market instruments	145,340	-
Securities held for operations	6,577,784	-
Buy option - speculation	918	-
Futures margin - own funds	159,526	-
Derivative financial assets - OTC	-	20,374
Available-for-sale financial assets – current	-	392,151
Available-for-sale financial assets – non-current	-	1,349,812
<b>Financial Liabilities</b>		
Financial liabilities with book value equal to fair value	-	14,357,401
Financial liabilities measured at fair value through profit or loss - current		
Warrants liabilities	6,166,420	-
Warrants redeemed	(6,030,692)	-
Sell options - speculation	1,417	-
Liabilities on sale of borrowed securities - hedged	42,348	-
Derivative financial liabilities - OTC	-	17,187
Financial liabilities designated at fair value through profit or loss - current	-	62,342

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

<u>Names of Financial Assets and Financial Liabilities</u>	<u>2008.12.31</u>	
	<u>Amount by open market price</u>	<u>Amount by evaluation method</u>
<b>Financial Assets</b>		
Financial assets with book value equal to fair value	\$ -	17,066,262
Financial assets measured at fair value through profit or loss - current		
Open-end fund and money market instruments	303,844	-
Securities held for operations	11,307,672	-
Buy option - speculation	2,200	-
Futures margin - own funds	225,378	-
Derivative financial assets - OTC	-	13,108
Available-for-sale financial assets – current	-	941,960
Available-for-sale financial assets – non-current	-	1,405,992
<b>Financial Liabilities</b>		
Financial liabilities with book value equal to fair value	-	3,569,240
Financial liabilities measured at fair value through profit or loss - current		
Warrants liabilities	37,580	-
Warrants redeemed	(33,335)	-
Sell options - speculation	2,521	-
Liabilities on sale of borrowed securities - hedged	9,810	-
Derivative financial liabilities - OTC	-	15,880

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 sensitive 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.

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

To diversify its risk effectively, the Company makes cash deposits in several well-known financial institutions 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 not only evaluates trading parties' credit condition before making a deal, but also evaluates counterparties' credit condition on an ongoing basis. Moreover, before proceeding a deal, the Company will give each counterparty an amount of trading which in accordance with the internal credit evaluation report of the counterparties, in order to reduce credit risk exposure.

(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 future 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 instruments, the Company received or paid interest, which is the nominal principal multiple the difference of interest rate. The amount of trading was insignificant and no principal of cash outflow or inflow, therefore the liquidity risk was considered to be 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.

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

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 up to down to assure the effective operation of the risk management system.

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

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

g. Financial instruments 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.

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

**5. RELATED-PARTY TRANSACTIONS**

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

<u>Name of related party</u>	<u>Relationship with the Company</u>
Jih Sun Financial Holdings Co., Ltd.	Parent company of the Company
Jih Sun Futures Co., Ltd.	Investee company accounted for under the equity method
Jih Sun Securities Investment Consulting Co., Ltd.	"
Jih Sun Securities Investment Trust Co., Ltd.	" (begin from March,2008)
Jih Sun future management Co., Ltd.	Liquidating, May 2009
Jih Sun International Bank Ltd.	The investee company under the equity method of the parent company
Jih Sun Life Insurance Agent Co., Ltd.	The investee company under the equity method of the parent company
Jih Sun Product Insurance Agent Co.,Ltd.	The investee company under the equity method of the parent company
Jih Sun Cresvale Securities International Limited	A third-level subsidiary of the Company
Other related-party	All directors ,supervisors, general manager ,relatives and spouse, etc.

(B) Significant Transactions with Related Parties

- a. For the year ended December 31, 2009 and 2008 brokerage commissions from securities trading were as follows:

<u>Name of related party</u>	<u>2009</u>		<u>2008</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Jih Sun International Bank Ltd.	<u>\$ 3,513</u>	<u>-</u>	<u>1,269</u>	<u>-</u>

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

- b. The bond transactions with repurchase/resale agreements with related parties in 2009 and 2008 were as follows:

Securities sold under repurchase agreements:

<u>Name of related party</u>	<u>2009</u>		<u>2008</u>	
	<u>Interest expense</u>	<u>Ending balance</u>	<u>Interest expense</u>	<u>Ending balance</u>
Jih Sun International Bank Ltd.	\$ 97	-	3,962	-
Jih Sun Futures Co., Ltd.	4	-	376	46,000
Jih Sun Securities Investment Trust Co., Ltd.	19	-	942	23,000
<b>Total</b>	<u>\$ 120</u>	<u>-</u>	<u>5,280</u>	<u>69,000</u>

Securities purchased under resell agreements:

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

<u>Name of related party</u>	<u>2009</u>		<u>2008</u>	
	Interest revenue	Ending balance	Interest revenue	Ending balance
Jih Sun International Bank Ltd.	\$ 67	-	234	-

Terms of bond repurchase/resale 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:

<u>Name of related party</u>	<u>2009</u>	<u>2008</u>
Jih Sun International Bank Ltd.	\$ 17,782	18,482
Jih Sun Futures Co., Ltd.	7,799	8,458
Jih Sun Securities Investment Consulting Co., Ltd.	1,224	723
Jih Sun Financial Holdings Co., Ltd.	144	-
Jih Sun Securities Investment Trust Co., Ltd.	32	106
Total	<u>\$ 26,981</u>	<u>27,769</u>

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

<u>Name of related party</u>	<u>2009</u>	<u>2008</u>
Jih Sun International Bank Co., Ltd.	<u>\$ 10,530</u>	<u>10,078</u>

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

<u>Name of related party</u>	<u>December 31,</u>	
	<u>2009</u>	<u>2008</u>
Jih Sun Futures Co., Ltd.	\$ 1,899	1,840
Jih Sun International Bank Ltd.	4,158	4,125
Jih Sun Securities Investment Consulting Co., Ltd.	329	-
Jih Sun Financial Holdings Co., Ltd.	36	-
Total	<u>\$ 6,422</u>	<u>5,965</u>

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

<u>Name of related party</u>	<u>December 31,</u>	
	<u>2009</u>	<u>2008</u>
Jih Sun International Bank Ltd.	<u>\$ 2,005</u>	<u>1,668</u>

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

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

<u>Name of Related Party</u>	<b>December 31,</b>			
	<b>2009</b>		<b>2008</b>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
<u>Accounts Receivable</u>				
Jih Sun Futures Co., Ltd.	\$ 11,053	1	16,265	2
Jih Sun Securities Investment Trust Co., Ltd.	20	-	40	-
<b>Total</b>	<b>\$ 11,073</b>	<b>1</b>	<b>16,305</b>	<b>2</b>
<u>Other Receivables</u>				
Jih Sun International Bank Ltd.	\$ 16,934	26	14,879	38
Jih Sun Futures Co., Ltd.	448	1	479	1
Jih Sun Financial Holdings Co., Ltd.	34,890	53	-	-
Jih Sun Securities Investment Trust Co., Ltd.	152	-	159	-
Jih Sun Securities Investment Consulting Co., Ltd.	61	-	10	-
Jih Sun Life Insurance Agent Co., Ltd.	60	-	-	-
Jih Sun Product Insurance Agent Co., Ltd.	34	-	-	-
<b>Total</b>	<b>\$ 52,579</b>	<b>80</b>	<b>15,527</b>	<b>39</b>

<u>Name of Related Party</u>	<b>December 31,</b>			
	<b>2009</b>		<b>2008</b>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
<u>Other Payables</u>				
Jih Sun International Bank Ltd.	\$ 16	-	-	-
Jih Sun Financial Holdings Co., Ltd. (Note)	1,367,007	66	147,171	13
Jih Sun Securities Investment Consulting Co., Ltd.	3,863	-	1,785	-
<b>Total</b>	<b>\$ 1,370,886</b>	<b>66</b>	<b>148,956</b>	<b>13</b>

Note: This amount was income tax payable in relation to adaption of consolidated tax return.

- e. Property transaction with related parties were as follows:

<u>Name of related party</u>	<b>December 31,</b>	
	<b>2009</b>	<b>2008(Note)</b>
Jih Sun International Bank Ltd.	\$ (13)	(178,823)
Jih Sun Financial Holdings Co., Ltd.	-	(531)
Jih Sun Securities Investment Trust Co., Ltd.	-	6
Jih Sun Securities Investment Consulting Co., Ltd.	384	-

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

Note: For the year ended December 31, 2008, except for \$178,550 purchasing the securities of Taiwan Futures Exchange Co., Ltd. from Jih Sun International Bank Ltd, the others are transactions of buying and selling premise, plant and equipment.

f. Others

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

	<u>2009</u>	<u>2008</u>
Revenue from providing agency service for stock affairs (revenue from computer printing included)	\$ 481	481
Future commission revenue	159,343	177,449
Revenue from utilities expense allocated	1,588	1,036
Clearing fee	10	11
Futures margin	15,699	-
Futures settlement fund (recorded as guarantee deposits paid)	43,000	47,000
Interest income from clearing and settlement fund	785	1,064
Revenue from information service revenue	1,500	1,500
Futures commission expense	6	-
Remuneration of board directors and supervisors	1,000	1,000

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

	<u>2009</u>	<u>2008</u>
Revenue from providing agency service for stock affairs (revenue from computer printing included)	\$ 720	720
Revenue from management fee allocated (Note)	164,823	131,192
Financial expenses	-	78
Revenue from utilities expense allocated	7,833	6,587
Joint marketing expense	190	146
Transaction fees	601	-

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

For the year ended December 31, 2009 and 2008, the Company's deposit balance in Jih Sun International Bank Ltd. were as follows:

	<u>Ending balance</u>	<u>Max balance</u>	<u>Interest</u>	<u>Interest rate range</u>
2009	\$ 203,908	6,197,596	4,904	0.0%~2.71%
2008	6,192,607	14,031,222	36,151	0.0%~2.71%

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

As the deposits mentioned above, the Company recorded them in Cash and Cash equivalent, 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, 2009 and 2008, Jih Sun International Bank Ltd. had approved a guaranteed line of credit amounting to \$800,000 and \$900,000 to the Company, and the loan balances were \$0. As of December 31, 2009, and 2008, the company had provided securities as pledged assets .

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

	<u>2009</u>	<u>2008</u>
Professional fee	\$ 27,895	18,711
Magazine fee	2,314	4,832
Subtotal	<u>\$ 30,209</u>	<u>23,543</u>

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

	<u>2009</u>	<u>2008</u>
Revenue from providing agency service for stock affairs (revenue from computer printing included)	\$ 11,637	12,624
Remuneration of board directors and supervisors	18,000	-

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

	<u>2009</u>	<u>2008</u>
Revenue from providing agency service for stock affairs	\$ 150	240
Revenue from utilities expense allocated	2,022	2,001
Income from fund rewards	4,714	-
Total	<u>\$ 6,886</u>	<u>2,241</u>

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

	<u>2009</u>	<u>2008</u>
Commission revenue	\$ 3,148	838
Revenue from utilities expense allocated	301	227
Total	<u>\$ 3,449</u>	<u>1,065</u>

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

- (7) Other transactions between Jih Sun Product Insurance Agent Co., Ltd. and the Company were as follows:

	<u>2009</u>	<u>2008</u>
Commission revenue	\$ 1,752	1,465
Revenue from utilities expense allocated	93	96
Total	<u>\$ 1,845</u>	<u>1,561</u>

- (8) The Company paid brokerage handling charges to Hong-Kong JS Cresvale Securities International Limited for securities trading abroad of \$1,749 and \$2,463 in 2009 and 2008, respectively.

(C) Salary Information from Key Management

As of December 31, 2009 and 2008, the company's director's, supervisors, general manager and vice general managers were as follows :

	<u>2009</u>	<u>2008</u>
Salary	\$ 25,717	26,677
Bonus and allowances	18,440	3,485
Executive expenses	1,606	2,790
Employee bonuses	198	1,250
	<u>\$ 45,961</u>	<u>34,202</u>

**6. PLEDGED ASSETS**

<u>Pledged assets</u>	<u>Objects</u>	<u>December 31,</u>	
		<u>2009</u>	<u>2008</u>
Pledged assets – current (time deposits, deposits)	Bank Loan	\$ 925,759	1,274,710
Available-for-sale-financial assets – non-current	Bank Loan	710,047	752,669
Fixed assets – land	Corporate Bonds	1,259,205	1,259,205
– building (book value)	"	367,148	378,130
Cash (other assets - refundable deposits)	Court Drawing	760	8,394
Time deposits (other assets - refundable deposits)	"	-	14,000
Total		<u>\$ 3,262,919</u>	<u>3,687,108</u>

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

**7. SIGNIFICANT COMMITMENTS AND CONTINGENCIES**

The Company's significant commitments and contingencies on December 31, 2009 and 2008, were summarized as follows:

- (A) As of December 31, 2009 and 2008, the Company had issued post-dated checks for future rental payments, which amounted to \$30,426 and \$20,662, respectively.
- (B) As of December 31, 2009 and 2008, in connection with securities financing activities, the Company held client-owned stocks which amounted to approximately 912,721,033 shares and 717,874,575 shares, respectively; stocks loaned out to clients amounted to approximately 50,321,000 shares and 43,137,000 shares, respectively, for which the Company had received guarantee deposits in full from the clients.
- (C) The Company acted as the co-underwriter for Jeng-Yih Company's application for government approval to trade over the counter. Subsequently, Jeng-Yih Company stopped trading over the counter because of 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. The primary court decided the securities dealers only had to compensate the subscribed party who is in good faith. Moreover, the Company had already compromised with the majority of the investors and paid off, except for one investor. For the remaining un-reconciled investor, the court judged the company only had to pay for \$24. On December 22, 2006, the un-reconciled investor and the others whose the securities didn't underwrite by the Company could not accept the judgment from the primary court, they had appeal to Taiwan High Court. During the hearing period of Taiwan High Court, the Company had reconciled with the investor who had been judged by the primary court to receive \$24 and the investor had revoked the case. The Company considered no responsibility for any additional compensation liability, therefore, no accrual need to be booked, except for the above-mentioned reconciliation amounts.
- (D) As of December 31, 2009 and 2008, the Company had applied to the court for provisional seizure in connection with protection of its rights related to collateral on defaulted securities transactions. Therefore, the Company made guarantee deposits of \$760 and \$22,394, respectively (recorded as guarantee deposit paid) and seized the debtor's assets.
- (E) Three customers of the Tai-Chung Branch alleged that a former employee at the Tai-Chung Branch had sold their stock without their permission, and stolen their bank savings. Therefore, the client requested the Company to be responsible jointly and claimed for \$82,431 with interest. As of December 31, 2009, Taichung District Court had judged that the Company and the former employee were jointly liable for the three plaintiffs amounted to \$ 33,968 with statutory interest of 5% from October 21, 2003. The related expense was already accrued, and the Company is undertaking compromise and appeal which are both in progress.

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

- (F) The customer of Xin-Yi branch alleged that he had suffered losses because of an employee did not follow the instruction to buy or sell stocks. Therefore, the client requested the company to pay \$13,732 to compensate his losses. The primary court disallowed the plaintiff's assertion because of the claim was considered to be unreasonable, and the plaintiff didn't accept the judgment and appeal to Taiwan High Court. The lawsuit is still in process. There is no additional compensation liability and no accrual shall be booked, since the Company considered that the claim should be a private debt dispute between the client and the employee.
- (G) In 2009, the Company made an Letter of Comfort stated positively support to the operation of third level subsidiaries — Jih Sun Services (Cayman) Limited and Jih Sun Cresvale Securities International Limited, to the financial institution.

**8. SIGNIFICANT CATASTROPHIC LOSS : NONE**

**9. SIGNIFICANT SUBSEQUENT EVENTS : NONE**

**10. OTHERS**

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

	2009			2008		
	Operating cost	Operating expense	Total	Operating cost	Operating expense	Total
Employee expense						
Payroll	-	1,842,100	1,842,100	-	1,380,231	1,380,231
Insurance	-	93,929	93,929	-	103,655	103,655
Retirement	-	77,589	77,589	-	108,433	108,433
Others	-	44,567	44,567	-	54,277	54,277
Depreciation	-	116,420	116,420	-	145,753	145,753
Amortization	-	29,576	29,576	-	24,214	24,214

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

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

As of December 31, 2009 and 2008, disclosures related to the Company's financial ratios, as required by the Rules Governing Futures Commission Merchants, were as follows:

Article	Formula	Current Period		Previous Period		Benchmark	Result
		Calculation	Ratio	Calculation	Ratio		
17	Equities/(Liabilities – Futures Traders' Equity – Futures Trading Loss Reserve – Reserve for Loss on Breaches of Contract)	<u>1,454,702</u> 1,931	753.34	<u>1,612,002</u> 6,371	253.02	≥ 1	Meets benchmark
17	Current Assets/Current Liabilities	<u>1,406,633</u> 1,931	728.45	<u>1,571,922</u> 6,371	246.73	≥ 1	"
22	Equities/Minimum Paid-in Capital	<u>1,454,702</u> 400,000	364%	<u>1,612,002</u> 400,000	403%	≥ 60% ≥ 40%	"
22	Adjusted Net Capital/The Total Amount of Margins Required for the Non-offset Position of the Futures Customers	<u>1,445,700</u> 13,076	11,056%	<u>1,605,819</u> 6,843	23,467%	≥ 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.

**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.

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

(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		Period-end holding balance			Investee company's current profit and loss	Investment income (loss) recognized by the Company	Remark
				The end of this year	The end of last year	Shares	Percentage	Book Value			
Jih Sun Securities Co.,Ltd	Jih Sun Futures Co.,Ltd.	F4, No.111, Sec.2, NanKing E. Rd., Taipei	Futures brokerage and proprietary trading	618,268	618,268	68,696,435	98.138%	1,230,801	165,447	162,366	subsidiary
"	Jih Sun International Investment Holding Company Limited	Sotia Centre,4thFloor,P.O.Box2804, GeorgeTown, GrandCayman, Cayman Islands	1.Securities brokerage and proprietary trading 2.Underwriting 3.Securities research and analysis 4.Corporate and individual financial planning 5.Financing business 6.Investment trust 7. Futures 8.Holding company to recognize profit and loss of investment	1,795,250	1,795,250	54,600,000	100%	1,641,667	(67,261)	(67,261)	"
"	Jih Sun Securities Investment Consulting Co.,Ltd.	F7, No.111, Sec.2, NanKing E. Rd., Taipei	Provide advisory and consulting related with securities investment on a consigned basis	173,600	173,600	10,000,000	100%	60,532	(2,927)	(2,840)	"
"	Jih Sun Futures Management Co.,Ltd	F3, No.111, Sec.2, NanKing E.Rd., Taipei	Futures brokerage and dealing	-	200,000	-	-%	-	(17,515)	(17,515)	" (note)
"	Jih Sun Securities Investment Trust Corp.	F5, No.111, Sec.2, NanKing E. Rd., Taipei	Securities investment trust business and discretionary investment business	211,380	211,380	7,800,000	20%	232,966	148,550	29,709	"
Jih Sun International Investment Holding Company Limited	JS Cresvale Securities International Limited	Rm23,EIB Centre,40-44 Bonham Strand East,Sheung Wan,HK	Brokerage, underwriting, proprietary trading	USD37,234	USD37,234	293,000,000	100%	USD 33,184	USD (311)	USD (311)	third-level subsidiary
"	Jih Sun Services (Cayman) Limited.	Scotia,4thFloor,P.O.Box2804, GeorgeTown, GrandCayman, Cayman Islands	Securities, financial investment consulting	USD18,050	USD18,050	18,050,000	100%	USD 15,761	USD (2,013)	USD (2,013)	"
Jih Sun Investment Holding Company Limited	Jih Sun Capital Management Limited	P.O.Box146,RoadTown,Tortola, British Virgin Islands	Fund and asset management and consulting	USD 100	USD 100	100,000	100%	USD 1,807	USD 287	USD 287	third-level subsidiary
JS Cresvale Securities International Limited	JS Cresvale Financing Limited	Rm23,EIB Centre,40-44 Bonham Strand East,Sheung Wan,HK	Stock brokerage, futures brokerage & sales of mutual funds	HKD20,000	HKD20,000	2,000,000	100%	HKD21,092	HKD (10)	HKD (10)	"

Note: On May, 2009, Investee, Jih Sun Futures Management Co., Ltd, started to enter into

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

the procedure of liquidation. On November, 2009, the Company had recovered the amount of \$144,997 of stocks, and the difference was considered as investment losses.

- 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) Disclosure of investments in 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 for the year ended December 31, 2009, were as follows:

- a. Concise Balance Sheet Statement and Income Statement

(1) Balance Sheet Statement

Unit: USD

Company	Jih Sun International Investment Holding Company Limited	Jih Sun Services (Cayman) Limited	Jih Sun Capital Management Limited
Current assets	USD\$ 502,357	USD\$35,414,341	USD\$ 1,813,704
Fund and Investments	50,752,388	8,600	-
Fixed Assets	-	-	-
Other Assets	-	-	-
Current Liabilities	690	19,662,231	6,506
Capital Stock	54,600,000	18,050,000	100,000
Retained Earnings	(3,941,621)	(2,039,291)	1,703,933
Cumulative Translation adjustments	(87,544)	-	3,265
Unrealized Gains ( Losses ) on Financial Products	683,220	(249,999)	-
Total Assets	51,254,745	35,422,941	1,813,704
Total Liabilities	690	19,662,231	6,506
Shareholders' equity	51,254,055	15,760,710	1,807,198

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

(2) Income Statement

Unit: USD

Company	Jih Sun International Investment Holding Company Limited	Jih Sun Services (Cayman) Limited	Jih Sun Capital Management Limited
Operating Income	USD\$ -	USD\$ 2,069,854	USD\$ 325,161
Operating Expenses	(4,158)	(2,134,342)	(45,272)
Non-operating Income	5,368	-	8,397
Non-operating expense	(2,035,942)	(1,948,079)	(998)
Net Gain(Loss) Before Taxes	(2,034,732)	(2,012,567)	287,288
Net Gain(Loss) After Taxes	(2,034,732)	(2,012,567)	287,288

b. Marketable securities held as of December 31, 2009:

Unit: share/ USD

Name of company holding securities	Marketable Securities type and name	Account	2009.12.31	
			Shares	Amount
Jih Sun Interational Investment Holding Company Limited	JS Cresvale Securities International Limited	Long-term Investment under equity method	293,000,000	\$ 33,184,480
	Jih Sun Services(Cayman) Limited.	"	18,050,000	15,760,710
	Jih Sun Capital Management Limited	"	100,000	1,807,198
	Total			<b>\$ 50,752,388</b>
Jih Sun Services (CAYMAN) Limited.	Securities and Beneficiary Certificate: China Petroleum & Chemical	Financial assets measured at fair value through profit or loss- current	25,000,000	\$ 3,490,359
	Nam Short Term Fixed Income Fund	"	291,330	4,500,000
	Others (less than USD3,000,000)	"		20,314,929
	Subtotal			28,305,288
	Derivative Instruments: Collateralized Debt Obligations (CDO)	Financial assets measured at fair value through profit or loss- current		-
	Credit Linked Note (CLN)	"		-
	Asset Swap	"		1,120,821
	Total			29,426,109
	Caprion Corp.	Available-for-sale financial assets- non-current	1,773	8,599
	Global Communication Corp.	"	125,000	1
Subtotal			8,600	
Total			<b>\$ 29,434,709</b>	

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

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

Financial instrument transaction and the origin of capital source are disclosed in note 11(D).2 Jih Sun International Investment Holding Company Limited invests the subsidiary base on its own reserve. Jih Sun Services(Cayman) Limited engaged in financial derivative instrument transactions base on its own reserve and the capital gained from conditional transactions in which the accumulated realized evaluated losses was amounting to USD \$ 5,952 thousand dollars.

d. Related-party transactions:

Jih Sun International Investment Holding Company Limited, Jih Sun Services(Cayman) Limited, and Jih Sun Capital Management limited had no significant transactions with related-party in year 2009.

e. Lawsuit events:

Jih Sun International Investment Holding Company Limited, Jih Sun Services(Cayman) Limited, and Jih Sun Capital Management limited had no lawsuits in year 2009.

**12. SEGMENT FINANCIAL INFORMATION DISCLOSURE**

(A) The Company's financial information on industry segments for 2009 and 2008 is as follows:

The Company primarily engages in the related business of securities.

(B) Information by geographical region and export information

The Company has no overseas operating unit and no overseas operating income.

(C) Information on major clients

The Company has no single client represented 10% or more of its operating revenues during 2009 and 2008.

**JIH SUN SECURITIES CO., LTD. – FUTURES  
DEPARTMENT**

**SEGMENT FINANCIAL INFORMATION DISCLOSURE**

**AS OF DECEMBER 31, 2009 and 2008**

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**Jih Sun Securities Co., Ltd. – Futures Department**  
**Balance Sheets**  
**December 31, 2009 and 2008**  
**(expressed in thousands of New Taiwan dollars)**

	December 31,					December 31,			
	2009		2008			2009		2008	
<u>Assets</u>	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>	<u>Liabilities and Stockholders' Equity</u>	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Current Assets					Current Liabilities				
Cash and cash equivalents (Note 4(A))	\$1,246,659	85	1,341,546	83	Financial liabilities measured at fair value	\$ 1,417	-	2,521	-
Financial assets measured at fair value	159,524	11	227,578	14	through profit or loss – current				
through profit or loss – current					Account payable	94	-	-	-
(Note 4(B))					Other payable	420	-	3,850	-
Prepayments	249	-	2,106	-	Total current liabilities	1,931	-	6,371	-
Other receivables	200	-	401	-	Other Liabilities				
Other receivables – related parties	1	-	291	-	Trading loss reserve	-	-	3,549	-
(Note5)					Total other liabilities	-	-	3,549	-
Total current assets	1,406,633	96	1,571,922	97	Total Liabilities	1,931	-	9,920	-
Other Assets					Stockholders' Equity				
Operation guaranteed deposits	10,000	1	10,000	1	Assigned working capital	1,700,000	117	1,700,000	105
(Note 4(C))					Accumulated deficit	(245,298)	(17)	(87,998)	(5)
Clearing and settlement fund	40,000	3	40,000	2	Total stockholders' equity	1,454,702	100	1,612,002	100
Total other assets	50,000	4	50,000	3	<b>Total Liabilities and Stockholders' Equity</b>	<b>\$ 1,456,633</b>	<b>100</b>	<b>1,621,922</b>	<b>100</b>
<b>Total Assets</b>	<b>\$1,456,633</b>	<b>100</b>	<b>1,621,922</b>	<b>100</b>					

(See the accompanying notes to the financial statements)

**Jih Sun Securities Co., Ltd. – Futures Department**  
**Statements of Income**  
**For the years ended December 31, 2009 and 2008**  
**(expressed in thousands of New Taiwan dollars)**

<b>Items</b>	<b>2009</b>		<b>2008</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
Revenues (Note 2(J))				
Gain from derivative financial products (Note 4(D))	\$ 286,512	98	533,292	94
Other operating income	3,549	1	8,430	1
Non-operating revenues and gains	3,326	1	27,128	5
	<u>293,387</u>	<u>100</u>	<u>568,850</u>	<u>100</u>
Expenditure				
Proprietary handling fee expense	5,898	2	3,643	1
Futures commission expense	5	-	-	-
Expense of clearing and settlement	3,898	1	2,140	-
Loss from derivative financial products (Note 4(D))	429,288	146	543,424	95
Operating expenses	10,209	4	17,930	3
Non-operating expenses and loss	1,063	-	4,451	1
	<u>450,361</u>	<u>153</u>	<u>571,588</u>	<u>100</u>
Net loss from continuing operations before income tax	(156,974)	(53)	(2,738)	-
Income tax expense	(326)	-	(3,552)	-
Net loss	<u>\$ (157,300)</u>	<u>(53)</u>	<u>(6,290)</u>	<u>(1)</u>

(See the accompanying notes to the financial statements)

**JIH SUN SECURITIES CO., LTD. – FUTURES DEPARTMENT**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2009 AND 2008**  
**(expressed in thousands of New Taiwan dollars, unless otherwise stated)**

**1. OVERVIEW**

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

**2. SIGNIFICANT ACCOUNTING POLICIES**

The Company’s financial statements were prepared in accordance with the “Regulations Governing the Preparation of Financial Statements by Futures Commission Merchants”, “Business Entity Accounting Act”, “Regulation on Business Entity Accounting Handling” and “Generally Accepted Accounting Principles in the Republic of China”. A summary of significant accounting policies and the 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, pension, asset impairment, reserve for loss on breaches of contract and trading loss reserve, etc. Because the estimation was usually judged under the uncertain condition, and the actual result 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. Non-derivative foreign currency transactions are recorded at the spot rate on the date of transaction. Monetary assets and liabilities denominated in foreign currencies are revalued at the spot rate on the balance sheet date. The resulting exchange gains or losses are recorded as non-operating income or loss. 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

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

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 translation of the financial statement is determined by the translated differences arising from the financial statement of 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 classed 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.

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

- c. Financial derivative instruments (except for financial guaranteed contract and derivative instruments 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 instruments.

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 and the cost of investment shall be recalculated by applying the weighted-average method.

The Company reclassified the financial assets at fair value through profit or loss (not belong to derivative instruments) as the financial assets available for sale in compliance with the second revised article of SFAS No. 34."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 income.

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 classed 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

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

The account was classified as derivative financial instruments. 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 was referred to the closing price on the balance sheet date.

(H) Trading Losses Reserve

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

(I) Assigned Working Capital

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

(J) Recognition of Revenue

Revenue is recognized when realized or realizable and earned.

(K) Income Tax

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

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

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

As of January 1, 2008, according to the Republic of China Statements of Financial Accounting Standards (SFAS) No. 39 “Share-based Payment” and Interpretation (96) No. 052 issued by the Accounting Research and Development Foundation. During 2008, the Company adopted the above regulations, the adoption had no effect on the department.

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

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

**4. SUMMARY OF MAJOR ACCOUNTS**

(A) CASH AND CASH EQUIVALENTS

	<b>December 31,</b>	
	<b>2009</b>	<b>2008</b>
Saving accounts	\$ 84,462	21,546
Time deposits	-	1,320,000
Commercial paper	1,162,197	-
<b>Total</b>	<b>\$ 1,246,659</b>	<b>1,341,546</b>

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

	<b>December 31,</b>	
	<b>2009</b>	<b>2008</b>
Buy options – Speculation	\$ 918	2,200
Futures margin – own funds	158,606	225,378
<b>Total</b>	<b>\$ 159,524</b>	<b>227,578</b>

(C) OPERATION GUARANTEED DEPOSITS

In compliance with the “Regulations Governing Futures Firms”, as of December 31, 2009 and 2008, the company’s futures department had both provided \$10,000 of time deposits as operating deposits.

(D) FINANCIAL INSTRUMENTS

a. Financial Derivatives Instruments :

(1) Contract amount and fair value

As of December 31, 2009 and 2008, the Company’s futures contracts were as follows:

<b>Items</b>	<b>Transaction Type</b>	<b>Holder/ Seller</b>	<b>Volume</b>	<b>Contract Amount</b>	<b>Fair Value</b>	<b>Notes</b>
<b>Dec. 31, 2009</b>						
Futures	Hang Seng Index Futures	Holder	1	\$ 4,508	4,522	Speculation
"	H-shares Index Futures	"	12	31,620	31,650	"
Total			<b>13</b>	<b>\$ 36,128</b>	<b>36,172</b>	
Options	Taiwan Stock Index Option - Put	Holder	444	\$ 1,588	912	Speculation
"	Financial Index Option -Call	"	5	4	6	"
Total			<b>449</b>	<b>\$ 1,592</b>	<b>918</b>	

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

<u>Items</u>	<u>Transaction Type</u>	<u>Holder/ Seller</u>	<u>Volume</u>	<u>Contract Amount</u>	<u>Fair Value</u>	<u>Notes</u>
<b>Dec. 31, 2009</b>						
Futures	Taiwan Stock Index Future	Seller	82	\$ (134,054)	(134,496)	Speculation
"	Electronics Index Futures	"	6	(8,189)	(8,202)	"
"	Hang Seng Index Futures	"	6	(27,052)	(27,130)	"
"	H-shares Index Futures	"	2	(5,266)	(5,275)	"
Total			<u>96</u>	<u>\$ (174,561)</u>	<u>(175,103)</u>	
Options	Taiwan Stock Index Option- Call	Seller	<u>253</u>	<u>\$ (760)</u>	<u>(1,417)</u>	Speculation
<b>Dec. 31, 2008</b>						
Options	Taiwan Stock Index Option -Call	Holder	232	\$ 1,414	1,002	Speculation
"	Taiwan Stock Index Option -Put	"	183	1,440	1,108	"
"	Financial Index Option - Put	"	10	7	-	"
"	Stock Options - Put	"	2	1	1	"
"	Non- Electronics Index Option- Call	"	10	74	57	"
"	Electronics Index Option - Call	"	10	62	32	"
Total			<u>447</u>	<u>\$ 2,998</u>	<u>2,200</u>	
Futures	Taiwan Stock Index Future	Seller	<u>28</u>	<u>\$ (25,083)</u>	<u>(25,469)</u>	Speculation
Options	Taiwan Stock Index Option -Call	Seller	577	\$ (1,101)	(1,210)	Speculation
"	Taiwan Stock Index Option -Put	"	557	(1,609)	(1,244)	"
"	Electronics Index Option - Call	"	10	(50)	(19)	"
"	Stock Options - Call	"	20	(2)	(6)	"
"	Morgan Taiwan Stock Index Option-Call	"	90	-	-	"
"	Financial Index Option - Put	"	9	(5)	-	"
"	Non- Electronics Index Option- Call	"	10	(52)	(42)	"
Total			<u>1,273</u>	<u>\$ (2,819)</u>	<u>(2,521)</u>	

The above-mentioned fair value is mainly calculated based upon the closing price of future and option on the Taiwan Futures Exchange as of December 31, 2009 and 2008.

(2) Credit risk

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

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

(3) Market risk

Since the current trading futures in the Republic of China are the 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 instruments 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 and settlement are recognized as current income. Margin paid by the company to engage in futures transactions was recognized as futures margin deposits. The contract amount paid and received by the Company were recorded as buy/sell options. The above futures and options are valued at their fair values on the balance sheet date.

b. Fair Value of Financial Instruments

<b>Financial Assets</b>	<b>December 31,</b>			
	<b>2009</b>		<b>2008</b>	
	<b>Book Value</b>	<b>Fair Value</b>	<b>Book Value</b>	<b>Fair Value</b>
Financial assets with book value equal to fair value				
Cash and cash equivalents	\$ 1,246,659	1,246,659	1,341,546	1,341,546
Other receivables	200	200	401	401
Other receivables - related parties	1	1	291	291
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 option – speculation	918	918	2,200	2,200
Futures margin— own fund	158,606	158,606	225,378	225,378
<b>TOTAL</b>	<b>\$ 1,456,384</b>	<b>1,456,384</b>	<b>1,619,816</b>	<b>1,619,816</b>

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

<b>Financial Liabilities</b>	<b>December 31,</b>			
	<b>2009</b>		<b>2008</b>	
	<b>Book Value</b>	<b>Fair Value</b>	<b>Book Value</b>	<b>Fair Value</b>
Financial liabilities with book value equal to fair value				
Accounts payable	\$ 94	94	-	-
Other payable	420	420	3,850	3,850
Financial liabilities measured at fair value through profit or loss - current				
Sell options – speculation	1,417	1,417	2,521	2,521
<b>TOTAL</b>	<b>\$ 1,931</b>	<b>1,931</b>	<b>6,371</b>	<b>6,371</b>

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

- (1) Fair values of short-term instruments are estimated using their book value. Since such instruments will mature within a short time, book value is a reasonable basis to estimate the fair value. Short-term financial instruments are comprised of cash and cash equivalents, other receivables, operation guaranteed deposits, clearing and settlement fund, account payables, other payables, and etc.
- (2) Open-end funds and money market instruments, marketable securities, call option contract, and future contract:

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

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

<b>Financial Assets</b>	<b>2009.12.31</b>	
	<b>Amount by open market price</b>	<b>Amount by evaluation method</b>
Financial assets with book value equal to fair value	\$ -	1,296,860
Buy options – speculation	918	-
Futures margin – own fund	158,606	-
<b>Financial liabilities</b>		
Financial liabilities with book value equal to fair value	-	514
Sell options-speculation	1,417	-

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

	2008.12.31	
	Amount by open market price	Amount by evaluation method
<b>Financial Assets</b>		
Financial assets with book value equal to fair value	\$ -	1,392,238
Buy options – speculation	2,200	-
Futures margin – own fund	225,378	-
<b>Financial liabilities</b>		
Financial liabilities with book value equal to fair value	-	3,850
Sell options-speculation	2,521	-

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 sensitive analysis to measure that if the market risk factor changes 1%, how much the risk amount of the fair value of investment parts are to serve as the reference information in coping with the market risk control.

(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 diverse its risk effectively, the Company makes cash deposits in several well-known financial institutions 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 not only evaluates trading parties' credit condition before making a deal, but also evaluates counterparties' credit condition on an ongoing basis. Moreover, before proceeding a deal, the Company will give each counterparty an amount of trading which in accordance with the internal credit evaluation report of the counterparties, in order to reduce credit risk exposure.

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

(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 future 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.

(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.

(5) 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 up to down to assure the effective operation of the risk management system.

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

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

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

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

(7) 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

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

(B) Significant Transactions with Related Parties

a. The Company's deposit balance in Jih Sun International Bank Ltd. were as follows:

<u>Bank Deposit</u>	<u>December 31,</u>			
	<u>2009</u>		<u>2008</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Saving account	\$ 12,059	1	8,817	1
Time deposits (Note)	10,000	1	1,330,000	98
Total	<u>\$ 22,059</u>	<u>2</u>	<u>1,338,817</u>	<u>99</u>

(Note) As of December 31, 2009 and 2008, the amount of Company's bank deposit in Jih Sun International Bank Ltd. including operation guaranteed deposits \$10,000 separately.

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

<u>Name of Related Party</u>	<u>December 31,</u>			
	<u>2009</u>		<u>2008</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Other Receivables				
Jih Sun International Bank Ltd.	<u>\$ 1</u>	<u>-</u>	<u>291</u>	<u>42</u>

c. The Company's interest income form Jih Sun International Bank Ltd. for \$974 and \$18,497 in 2009 and 2008, respectively.

d. For the year ended December 31, 2009, the Company's futures margin in Jih Sun Futures Co., Ltd. amounting to \$14,799.

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

**6. PLEDGED ASSETS : NONE**

**7. SIGNIFICANT COMMITMENTS AND CONTINGENCIES : NONE**

**8. SIGNIFICANT CASUALTY LOSS : NONE**

**9. INFORMATION ABOUT FINANCIAL DERIVATIVE INSTRUMENTS**

For information about derivative financial instrument trading as of December 31, 2009 and 2008, please refer to Note (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 – Futures Trading Loss Reserve – Reserve for Loss on Breaches of Contract)	$\frac{1,454,702}{1,931}$	753.34	$\frac{1,612,002}{6,371}$	253.02	$\geq 1$	Meets benchmark
17	Current Assets/Current Liabilities	$\frac{1,406,633}{1,931}$	728.45	$\frac{1,571,922}{6,371}$	246.73	$\geq 1$	"
22	Equities/Minimum Paid-in Capital	$\frac{1,454,702}{400,000}$	364%	$\frac{1,612,002}{400,000}$	403%	$\geq 60\%$ $\geq 40\%$	"
22	Adjusted Net Capital/The Total Amount of Margins Required for the Non-offset Position of the Futures Customers	$\frac{1,445,700}{13,076}$	11,056%	$\frac{1,605,819}{6,843}$	23,467%	$\geq 20\%$ $\geq 15\%$	"

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

**11. 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.

**12. SEGMENT FINANCIAL INFORMATION DISCLOSURE : NONE**

**13. SIGNIFICANT SUBSEQUENT EVENTS : NONE**

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

**14. SIGNIFICANT INFORMATION RELATED TO 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. INFORMATION RELATED TO REINVESTMENT : NONE**

**16. INFORMATION OF INVESTMENTS IN MAINLAND CHINA : NONE**

**17. OTHERS : NONE**