

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

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2007 AND 2006

AND

INDEPENDENT AUDITORS' REPORT

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

CONSOLIDATED FINANCIAL STATEMENTS

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(English Translation)
Independent Auditors' Report

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

We have audited the accompanying consolidated balance sheets of Jih Sun Financial Holding Co., Ltd. and subsidiaries as of December 31, 2007 and 2006, and the related consolidated statements of income, changes in stockholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Jih Sun Financial Holding Co., Ltd. and subsidiaries as of December 31, 2007 and 2006, and the results of its consolidated operations and its consolidated cash flows for the years ended, in conformity with the "Regulations Governing the Preparation of Financial Statements for Financial Holding Companies" and accounting principles generally accepted in the Republic of China.

As described in Note 3, the subsidiary, Bank, sold non-performing loans to asset management companies, resulting in a loss in 2005, 2004 and 2002, respectively. According to the Law Governing Merger of Financial Institutions and SFC Ruling Letter (3) 0913000051, the Company's subsidiary, Jih Sun International Bank, Ltd., amortized loss on sale of non-performing loans over 5 years, with the unamortized remaining balance reflected as deferred expense. If the loss on sale of non-performing loans were recognized currently, deferred loss on disposal of non-performing loans would be decreased and accumulated deficit would be increased by \$11,621,017 thousand, as of December 31, 2005. In addition, the subsidiary, Bank, obtained the approval letter from Financial Supervisory Commission, Executive Yuan at July 19, 2006, with the issuing number of FSC (6) 0950129783, changed to amortized all of the unamortized deferred loss on disposal of non-performing loans amounting of \$9,871,401 thousand during the six months period ended June 30, 2006.

As described in Note 3, from January 1, 2006, the Company and its subsidiaries adopted the Republic of China Statements of Financial Accounting Standards (SFAS) No. 34 “Financial Instruments: Recognition and Measurement” and SFAS No. 36 “Financial Instruments: Disclosure and Presentation”. In accordance to SFAS No. 34, the financial assets and liabilities at the beginning of 2006 are required to be revalued based on either fair value or net amortization cost. As the result of adoption of SFAS No. 34, the revaluation differences accounted for as cumulative effect of change in accounting principle and adjustments to shareholders’ equity amounted to \$402,718 thousand and \$15,043 thousand, respectively.

Taipei, Taiwan, R.O.C.
January 29, 2008

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

JIH SUN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
December 31, 2007 and 2006
(Expressed in Thousands of New Taiwan Dollars)

		ASSETS			LIABILITIES AND STOCKHOLDERS' EQUITY				
		December Amount	December Amount	Variation (%)	December Amount	December Amount	Variation (%)		
11000	Cash and cash equivalents(Notes (2)(E) and (4)(A))	\$ 6,719,612	9,522,173	(29)	21000	Deposits from Central Bank and other banks(Note (4)(N))	\$ 15,788,814	20,438,892	(23)
11500	Due from Central Bank and call loans to banks(Notes (2)(F)and	32,668,387	23,610,536	38	21600	Commercial papers payable, net(Note (4)(O))	4,104,939	1,042,058	294
12000	Financial assets measured at fair value through profit or loss (Notes (2)(G)(AA) and (4)(C))	29,085,510	43,439,405	(33)	22000	Financial liabilities measured at fair value through profit or loss (Notes (2)(G)(AA), (3) and (4)(P))	404,651	806,644	(50)
12500	Investment for bills and bonds purchased under resell agreements (Notes(2)(H) and (4)(D))	8,197,029	10,521,733	(22)	22500	Liabilities for bills and bonds sold under repurchase agreements (Notes (2)(H) and (4)(Q))	16,686,328	32,777,473	(49)
13000	Receivables, net(Notes (2)(I)(J)(K) and (4)(E)(F))	31,851,121	30,201,222	5	23000	Accounts Payable(Notes (2)(J)(Q) and (4)(R))	17,121,822	16,530,576	4
13500	Loan, net(Notes (2)(K), (4)(F) and (5))	166,442,058	177,294,329	(6)	23500	Deposits(Notes (2)(R), (4)(S) and (5))	192,930,750	192,897,399	-
14000	Available-for-sale financial assets, net(Notes (2)(G), (3), (4)(G) and	1,804,279	3,889,813	(54)	24000	Bonds payable(Notes (2)(N) and (4)(T))	16,000,000	20,000,000	(20)
14500	Held-to-maturity financial assets, net(Notes (2)(G), (4)(G) and (4)(H))	-	478,796	(100)	24400	Other loans(Note (4)(U))	7,190,959	8,164,011	(12)
15500	Other financial assets, net(Notes (2)(G), (2)(K), (2)(Q) and (4)(L))	4,349,909	4,309,719	1	25500	Other financial liabilities	85,500	86,400	(1)
18500	Property and equipment,net(Notes (2)(L), (4)(J) and (6))	7,174,022	7,513,899	(5)	29099	Other reserve(Notes (2)(S) (T))	325,378	338,655	(4)
19000	Goodwill and intangible assets,net(Notes (2)(M), (3) and (4)(K))	1,277,176	1,553,008	(18)	29500	Other liabilities(Notes (2)(W) and (4)(V))	1,277,748	1,570,699	(19)
19500	Other assets-net(Notes (2)(O)(W), (3), (4)(M) (V)(Y), (5) and (6))	7,954,299	8,067,506	(1)		Total Liabilities	<u>271,916,889</u>	<u>294,652,807</u>	<u>(8)</u>
						Stockholders' equity of parent company			
					31000	Capital stock(Note (4)(W))			
					31001	Common stock	21,707,754	33,961,303	(36)
					31003	Preferred stock	4,416,740	6,666,667	(34)
					31500	Capital surplus(Note (4)(W))	-	1,670,054	(100)
					32011	Unappropriated earnings (accumulated deficit)	(320,358)	(15,366,125)	98
					32521	Cumulative translation adjustments	(110,996)	(99,258)	(12)
					32523	Unrealized (loss) profits for available-for-sale	(97,683)	109,035	(190)
					32542	Treasury stock - common stock(Notes (2)(U) and (4)(W))	-	(1,201,580)	100
					32544	Net loss not recognized as pension cost (Note (4)(V))	(9,172)	(9,950)	8
					39500	Minority interest	20,228	19,186	5
						TOTAL STOCKHOLDERS' EQUITY	<u>25,606,513</u>	<u>25,749,332</u>	<u>(1)</u>
						SIGNIFICANT COMMITMENTS AND			
						TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$ 297,523,402</u>	<u>320,402,139</u>	<u>(7)</u>

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

JIH SUN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
Years Ended December 31, 2007 and 2006
(Expressed in Thousands of New Taiwan Dollars, except for Earnings Per Share)

	2007	2006	Variation (%)	
REVENUES(Note 2)(X) :				
41000 Interest revenue(Note 5)	\$ 10,496,634	12,220,625	(14)	
51000 Less:Interest expense(Note 5)	5,037,891	5,452,223	(8)	
Net interest income	<u>5,458,743</u>	<u>6,768,402</u>	<u>(19)</u>	
Non-interest income:				
49100 Service and commission income, net	6,157,914	4,154,487	48	
49200 Financial assets or liabilities measured at fair value through profit or loss(Notes 4)(C) and 4)(P)	(4,569)	54,179	(108)	
49300 Realized profits for available-for-sale financial assets	(84,770)	32,670	(359)	
49400 Realized gain on held-to-maturity financial assets	12,722	-	-	
49600 Foreign exchange gains	42,474	61,458	(31)	
49700 (Accrued) reserval of impairment loss(Note 2)(C))	(166,101)	66,521	(350)	
49921 Loss on sale and amortization of deferred loss on disposal of non-performing loans (Notes 3) and 4)(M))	(611)	(11,779,582)	100	
49800 Others, net(Note 4)(AA))	1,605,332	895,333	79	
Subtotal	<u>7,562,391</u>	<u>(6,514,934)</u>	<u>216</u>	
Net Revenues	<u>13,021,134</u>	<u>253,468</u>	<u>5,037</u>	
51500 Provisions for allowances and reserves	4,944,922	5,033,979	(2)	
Operating Expenses				
58501 Personnel Expenses	4,050,974	4,197,045	(3)	
59000 Depreciation and amortization expenses(Note 4)(K))	934,654	926,089	1	
59500 Other operating and administrative expenses(Note 5))	2,958,641	3,164,826	(7)	
Total operating expenses	<u>7,944,269</u>	<u>8,287,960</u>	<u>(4)</u>	
Total expenses	<u>12,889,191</u>	<u>13,321,939</u>	<u>(3)</u>	
61001 Net income before tax from continuing operations	131,943	(13,068,471)	101	
61003 Income tax expense (Notes 2)(V) and 4)(Y))	(58,880)	(30,325)	94	
61005 Consolidated net income after tax from continuing operations	73,063	(13,098,796)	101	
63500 Cumulative effect of changes in accounting principles (Note 3))	-	402,718	(100)	
69000 Consolidated net income (loss)	<u>\$ 73,063</u>	<u>(12,696,078)</u>	<u>101</u>	
69900 Consolidated net income (loss) belong to :				
69901 Income (loss) before merger and acquisition	\$ 69,632	(12,699,458)	101	
69903 Minority interest income	3,431	3,380	2	
69000 Consolidated net income (loss)	<u>\$ 73,063</u>	<u>(12,696,078)</u>	<u>101</u>	
	Before tax	After tax	Before tax	After tax
70000 Earnings(loss) per share (EPS):(Notes 2)(Z) and 4)(Z))				
70001 Consolidated net loss after tax from continuing operations	\$ 0.06	0.03	(4.44)	(4.45)
70007 Cumulative effect of changes in accounting principles	-	-	0.13	0.13
69000 Consolidated net income (loss)	<u>\$ 0.06</u>	<u>0.03</u>	<u>(4.31)</u>	<u>(4.32)</u>
Basic EPS-retroactive adjustment				
Consolidated net loss	\$ -	-	(6.50)	(6.52)
Diluted EPS				
Consolidated net Income	<u>\$ 0.05</u>	<u>0.03</u>	<u>-</u>	<u>-</u>

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

JIH SUN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
Years Ended December 31, 2007 and 2006
(Expressed in Thousands of New Taiwan Dollars)

Item	Capital stock		Capital Surplus			Equity adjustment					Total
	Common stock	Preferred stock	Additional paid-in capital	Treasury stock	Accumulated deficit	Unrealized loss on available-for-sale financial assets	Cumulative translation adjustments	Net loss not recognized as pension cost	Treasury stock	Minority interest	
Balance, January 1, 2006	\$ 22,532,732	-	9,477,820	15,419	(4,394,614)	-	(85,205)	(17,218)	(1,201,580)	17,322	26,344,676
Net loss for 2006	-	-	-	-	(12,699,458)	-	-	-	-	3,380	(12,696,078)
Capital surplus against accumulated deficit	-	-	(4,394,614)	-	4,394,614	-	-	-	-	-	-
Capital increase by cash - common stock	11,428,571	-	(3,428,571)	-	-	-	-	-	-	-	8,000,000
Capital increase by cash - preferred stock	-	6,666,667	-	-	(2,666,667)	-	-	-	-	-	4,000,000
Recognition of translation adjustment of subsidiaries	-	-	-	-	-	-	(14,053)	-	-	-	(14,053)
Adjustment of net loss not recognized as pension cost	-	-	-	-	-	-	-	7,268	-	-	7,268
Recognition of unrealized gains on available-for-sale financial assets of subsidiaries	-	-	-	-	-	109,035	-	-	-	-	109,035
Adjustment for cash dividend by subsidiaries	-	-	-	-	-	-	-	-	-	(1,516)	(1,516)
Ending balance - December 31, 2006	33,961,303	6,666,667	1,654,635	15,419	(15,366,125)	109,035	(99,258)	(9,950)	(1,201,580)	19,186	25,749,332
Net income for 2007	-	-	-	-	69,632	-	-	-	-	3,431	73,063
Capital surplus against accumulated deficit	-	-	(1,654,635)	-	1,654,635	-	-	-	-	-	-
Capital stock against accumulated deficit	(11,461,563)	(2,249,927)	-	-	13,711,490	-	-	-	-	-	-
Recognition of translation adjustment of subsidiaries	-	-	-	-	-	-	(11,738)	-	-	-	(11,738)
Adjustment of net loss not recognized as pension cost	-	-	-	-	-	-	-	778	-	-	778
Recognition of unrealized gains on available-for-sale financial assets of subsidiaries	-	-	-	-	-	(206,718)	-	-	-	-	(206,718)
Treasury stocks transferred to employee	-	-	-	(375)	-	-	-	-	4,560	-	4,185
Retirement of treasury stock	(791,986)	-	-	(15,044)	(389,990)	-	-	-	1,197,020	-	-
Adjustment for cash dividend by subsidiaries	-	-	-	-	-	-	-	-	-	(2,389)	(2,389)
Ending balance - December 31, 2007	\$ 21,707,754	4,416,740	-	-	(320,358)	(97,683)	(110,996)	(9,172)	-	20,228	25,606,513

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

JIH SUN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended December 31, 2007 and 2006
(Expressed in Thousands of New Taiwan Dollars)

	<u>2007</u>	<u>2006</u>
Cash flows from operating activities:		
Consolidated net income (loss)	\$ 73,063	(12,696,078)
Adjustments:		
Depreciation and amortization expenses	934,654	926,089
Property and equipments transferred to expenses	103,508	42,726
(Reversal) Provision for securities trading loss reserve	(25,513)	1,428
Valuation loss on financial assets and liabilities	208,349	216,506
Amortization of premium on bond investments	-	5,908
Realized (gain)loss on available-for-sell financial assets	(84,770)	32,670
Realized gain on hold-to-maturity financial assets	(12,722)	-
Various reserves and provisions	4,944,922	5,033,979
Default indemnity reserve increase	12,237	13,707
Loss on sale and disposal of property and equipment	19,758	34,710
Gain on disposal of collateral assumed	(279,590)	(145,968)
Sale and amortization of loss on disposal of non-performing loans	611	11,779,582
Provision (reserval) of impairment of assets	166,101	(66,521)
Changes in operating assets and liabilities:		
Decrease(Increase) in financial assets measured at fair value through profit or loss	14,156,781	6,757,497
Increase in receivables	(1,709,409)	(3,509,822)
Increase in other assets	(225,312)	(1,645,349)
(Decrease)Increase in financial liabilities measured at fair value through profit or loss	(413,228)	185,514
Increase(Decrease) in accounts payable	591,246	(1,539,754)
Net cash provided by operating activities	<u>18,460,686</u>	<u>5,426,824</u>
Cash flows from investing activities:		
Increase in due from Central Bank and call loans to banks	(11,398,391)	(11,449,890)
Decrease(Increase) in investment for bills and bonds purchased under resell agreements	2,324,704	(5,430,804)
Decrease (Increase) in loans	5,998,016	10,614,790
(Increase)Decrease in other financial assets	(81,769)	1,058,520
(Decrease)Increase in liabilities for bills and bonds sold under repurchase agreements	(16,091,145)	4,479,054
Increase in available-for-sale financial assets	-	(61,697)
Purchase of software	(183,058)	(82,988)
Purchase of pledged collateral	(472,025)	(213,831)
Purchase of property and equipment	(261,957)	(386,176)
Proceeds from disposal of property and equipment	1,912	36,976
Proceeds from sale of non-performing loans	-	1,300,022
Proceeds from sale of financial assets in available-for-sale	1,963,586	-
Proceeds from disposal of collateral assumed	920,278	399,894
Proceeds from disposal of held to maturity financial assets	506,094	-
Net cash flow (used in) provided by investing activities	<u>(16,773,755)</u>	<u>263,870</u>
Cash flow from financing activities:		
Decrease in deposits from Central Bank and other banks	(4,650,078)	(10,376,532)
Increase(Decrease) in deposits	33,351	(13,569,887)
Increase(Decrease) in commercial paper payable	3,062,881	(177,030)
Decrease in bonds payable	(4,000,000)	-
(Decrease)Increase in other loans	(973,052)	2,031,131
Decrease in other financial liabilities	(900)	(900)
(Decrease) Increase in other liabilities	(292,292)	65,438
Treasury stock transferred to employees	4,185	-
Capital increased by cash	-	12,000,000
Cash dividends from subsidiaries	(2,389)	(1,530)
Net cash used in financing activities	<u>(6,818,294)</u>	<u>(10,029,310)</u>
Effect of foreign exchange	<u>(11,738)</u>	<u>(14,053)</u>
Net decrease in cash and cash equivalents	<u>(5,143,101)</u>	<u>(4,352,669)</u>
Cash and cash equivalents, beginning of the period	<u>13,541,065</u>	<u>17,893,734</u>
Cash and cash equivalents, end of the period	<u>\$ 8,397,964</u>	<u>13,541,065</u>
Supplemental disclosures of cash flow information:		
Interest paid during the year	<u>\$ 5,037,891</u>	<u>4,637,846</u>
Income taxes paid during the year	<u>\$ 348,603</u>	<u>771,486</u>
Cash and cash equivalents:		
Cash	\$ 6,719,612	9,522,173
Deposit in central bank- ordinary customers and Financial center	1,678,352	4,018,892
	<u>\$ 8,397,964</u>	<u>13,541,065</u>
Investing and financing activities not affecting for cash flows :		
Property and equipment transferred to deferred debits	<u>\$ 4,669</u>	<u>-</u>
Changes in net loss not recognized as pension cost	<u>\$ (778)</u>	<u>(7,268)</u>
Unrealized gain(loss) on available-for-sale financial assets	<u>\$ 206,718</u>	<u>(109,035)</u>

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

JH SUN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2007 and 2006

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

(1) OVERVIEW

(A) Overview

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

The Company conducts business in the following areas:

- (a) The Company is approved to invest in the following businesses:
1. Investment banking.
 2. Bills financing.
 3. Credit cards.
 4. Trusts.
 5. Insurance.
 6. Securities.
 7. Futures.
 8. Venture capital.
 9. Investment in overseas financial institutions as approved by the MOF.
 10. Other related financing approved by the MOF.

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

- (b) Management of the above businesses.
- (c) Other related businesses as approved by the MOF.

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

As of December 31, 2007, the number of the Company's employees was 78, and the number of Company and subsidiaries' employees was 3,942.

(B) Basis for consolidation

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

Investment Company	Subsidiary	December 31, 2007	December 31, 2006	Conducts business	Note
Jih Sun Financial Holding Co., Ltd.	Jih Sun Securities Co., Ltd.	100%	100%	Engages in the activities of securities trust, securities dealing, securities underwriting, securities financing, stock transaction handling, futures dealing, and auxiliary services for futures trading and stock warrant issuance.	
Jih Sun Financial Holding Co., Ltd.	Jih Sun International Bank, Ltd.	100%	100%	The Bank's major operations include managing customer deposits, extending loans, acting as collection agent and investing in government bonds, short-term bills, securities, financial debentures and other businesses approved by the competent authority of the Central Government. As for the scope of the Bank's trust business, it	

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

Investment Company	Subsidiary	December 31, 2007	December 31, 2006	Conducts business	Note
				includes domestic and overseas fund purchases and sales entrusted by customers and employee investments and trust, etc.	
Jih Sun Financial Holding Co., Ltd.	Jih Sun Product Insurance Agent Co., Ltd.	100%	100%	Product Insurance Agent.	
Jih Sun Securities Co., Ltd.	Jih Sun Futures Co., Ltd.	98.138%	98.138%	Futures dealing Futures consulting	
Jih Sun International Bank, Ltd.	Jih Sun Life Insurance Agent Co.,	99%	99%	Life Insurance Agent	
Jih Sun Securities Co., Ltd.	Jih Sun International Investment Holding Company Limited	100%	100%	Securities dealing Research of securities Personal financing planning	
Jih Sun Securities Co., Ltd	Jih Sun Securities Investment Consulting Co., Ltd.	100%	100%	Research of securities investment	
Jih Sun Securities Co., Ltd	Jih Sun Managed Futures Co., Ltd	100%	100%	Managed Futures	
Jih Sun International Investment Holding Company Limited	Jih Sun Cresvale Securities International Limited	100%	100%	Securities trust Securities dealing Securities underwriting	
Jih Sun International Investment Holding Company Limited	Jih Sun Financial Services (Cayman) Ltd.	100%	100%	Securities financing	
JihSun International	Jih Sun Technology	100%	100%	Fund Assets management	

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

Investment Company	Subsidiary	December 31, 2007	December 31, 2006	Conducts business	Note
Investment Holding Company Limited	Management Consulting Limited				
Jih Sun Cresvale Securities International Limited	Jih Sun Cresvale Financial Limited	100%	100%	Securities dealing Fund sales Securities dealing	

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

- (b) Affiliates not included in the consolidated financial statements: None.
- (c) Affiliates with different accounting period with the parent company: None.
- (d) Affiliates with different accounting policies with the parent company: None.
- (e) Unusual risks from foreign affiliates: None.

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

- (f) Regulation or contract restrictions on earnings distribution of affiliates:

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

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

When preparing consolidated financial statements, the Company's investments and its subsidiaries stockholders' equity were eliminated. Intercom any liabilities were eliminated. Unrealized gains between the Company and its subsidiaries resulting from downstream and intercom any transactions are eliminated according to the method of recognition of gain and losses.

Assets and liabilities of foreign subsidiaries are translated into New Taiwan dollar equivalents at the spot rates of the balance sheet date; stockholders' equity is translated by the historical rates except for the beginning balance of retained earnings. Revenues and expenses are translated at the weighted-average rate during the period, with exchange differences included in stockholders' equity as "cumulative translation adjustments."

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

- (A) Principles of Statements of Cash Flows:

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

- (B) Accounting Using of Estimates

The preparation of financial statements in conformity with the aforementioned guidelines, law and principles requires management to make reasonable assumptions and estimates of matters that are inherently uncertain. The actual results may differ from management's estimates.

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

(C) Assets Impairment

Commencing from the year 2005, the Bank adopted SFAS No. 35 "Accounting for Impairment of Assets." In accordance with SFAS No. 35, unless inapplicable, the recoverable amount (individual assets or cash generating units other than goodwill) of an asset is estimated and compared with the carrying amount whenever there is an indication that the asset may be impaired. An impairment loss is recognized when the recoverable amount is less than the carrying amount (the higher of fair market value and value in use). For assets other than goodwill, reversal of impairment loss is recognized when the recoverable amount of the asset has increased from its prior period estimation, the carrying value after the reversal should not exceed the recoverable amount or the depreciated or amortized balance of the assets assuming no impairment loss was recognized in prior period.

The cash generating unit for goodwill needs to be tested annually and the recoverable amount less the carrying amount is recognized as impairment loss.

(D) Foreign Currency Transactions

The non-derivative foreign currency transactions are recorded at the rate of exchange prevailing on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the rate of exchange ruling at the balance sheet date. Any resulting exchange differences are included in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated into the functional currency using the rate of exchange at the date of the initial transaction. Non-monetary assets and liabilities measured at fair value in a foreign currency are translated into the functional currency using the rate of exchange ruling at the balance sheet date. Any exchange differences resulting from fair value variation through profit and loss are included in the income statement, and exchange differences resulting from fair value variation through equity are accounted for under equity adjustments.

The foreign operating institutions with equity-method are all recorded by functional currency. The components of their stockholders' equity is translated at the historical rate with difference reflected as cumulative translation adjustments to stockholders' equity.

(E) Cash and Cash Equivalents

Cash comprise of cash on hand, checks for clearing, petty cash, depositing on the other bank deposit, and short-term investments which could be converted to cash anytime, and which do not have a significant level of market risk related to potential interest rate changes.

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

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

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

(G) Financial Instruments

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

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

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

Financial assets are classified as held for trading if they have been acquired principally for the purpose of selling or repurchasing in the near term. The derivative financial instruments held by the Company and subsidiaries, except for those designated as hedging instruments, are classified under this account. The financial assets such as the hybrid instrument which the main contract and embedded derivative should be separately identify but failed to separately reevaluate at acquiring date or at each balance sheet date, should be classified under this account.

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

Financial assets classified as financial assets carried at fair value through profit or loss shouldn't be reclassified to other category financial assets, and financial assets classified as other category financial assets shouldn't be reclassified into financial assets carried at fair value through profit or loss, either.

Proceeds received from issuing stock warrants are recorded as liabilities for stock warrant issued. Payment for repurchase these stock warrants are recorded as deduction items of the liabilities for stock warrant issued, repurchased stock warrants when resell the repurchased stock warrant use moving-average cost method to recognized the disposal gain or loss and shown in "gain or loss from issuing stock warrants" account. Liabilities for issuance of stock warrants and repurchased stock warrant are valued at market value on the balance sheet date. The Company and subsidiaries use fair-value method to recognize, the income (or loss) before the stock warrant matured. The issuer can take the cash settlement method if you do not exercise until the due date on the basis of NO.0920102843; if do not have the exercise-value, the call warrants will lose its efficiency. According to the exercise-value to exercise by cash, we need to add the market price of the call warrants. Then less the market price to recognize the revenue by moving-averaged method.

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

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

- (b) Available-for-sale financial assets: At each balance sheet date the fair value is remeasured and the resulting gain or loss from such remeasure is recognized directly in equity. If there is objective evidence that an available-for-sale financial asset is impaired, the carrying amount of the asset is reduced and impairment loss is recognized. If in a subsequent period, the amount of the impairment loss of the available-for-sale equity securities decreases, the previous recognized impairment loss cannot be reversed. If the amount of the impairment loss of the available-for-sale debt securities decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previous recognized impairment loss is reversed through the profit and loss.
- (c) Held-to-maturity financial assets: The amortized cost, if there is objective evidence that a held-to-maturity financial asset is impaired, the carrying amount of the asset is reduced and impairment loss is recognized. If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previous recognized impairment loss is reversed through the profit and loss. The carrying value after the reversal should not exceed the recoverable amount or the depreciated or amortized balance of the assets assuming no impairment loss was recognized.

Under the Regulations for Financial Assets Securitization, the Bank, with the assistance of a trustee, securitized its financial assets for the purpose of offering asset-backed securities in the form of related beneficiary certificates through a special-purpose trust. Because the Bank surrendered its rights and control on these securitized financial assets, such financial assets are no longer recognized on the Bank's accounts, and the gain or loss from securitization is recognized thereon, except for the retained interests in the form of subordinated seller certificates necessary for credit enhancement, which are classified as other long-term bond investments because those certificates do not have quoted market prices.

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

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

The cash receipts of subordinated seller certificates from the trustee are accounted for using the interest revenue method in Held-to-Maturity investment.

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

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

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

- (I) Receivable of Credit Card Transactions

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

- (J) Margin Loans, Financing Securities, and Refinancing

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

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

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

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

(K) Allowance for Doubtful Accounts

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

Allowance for credit losses is a significant estimate regularly evaluated by management for adequacy and is provided through a charge to provision for credit losses. In accordance with the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-Performing and Non-Accrued Loans" issued by MOF, the management evaluates the quality of the overall portfolio, which comprises loans, accounts receivable, receivable-non-accrual accounts, outstanding guarantees and a review of specific delinquent claims.

Overdue loans and past due amounts that have been aggressively pursued and falls under one of the following circumstances would be written-off after deduction of the collectible amount.

- (a) The debt in full or in part is not collectible due to dissolution, disappearance, settlement or bankruptcy announcement of the debtor or other reasons.
- (b) Valuation of the debtor's assets including the collateral is rather low, or there is no repayment value after deduction of the preferences on the collateral, or the administrative expenses approximate or exceed the amount that can be paid to the Bank and there is no actual value.
- (c) There is no buyer and the Bank has not received any actual benefit despite numerous reduced price auctions of the debtor's assets including the collateral.
- (d) Overdue loans that are past due for two years and have not been repaid despite aggressive collection measures.

Overdue loans and past-due amount which have been overdue for anywhere from six months to two years and are deemed uncollectible are written-off as bad debts after deducting the collectible amount.

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

(L) Property, Equipment and Depreciation

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

Depreciation is computed using the straight-line method over the government prescribed useful lives. Property and equipment still in use after their original estimated useful lives may be depreciated continuously over their estimated remaining useful lives. Useful lives of major property and equipment are as follows:

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

(M) Goodwill and Intangible Assets

Effective from January 1, 2007, the Company adopted Statement of Financial Accounting Standards No. 37 (SFAS No. 37) "Intangible Assets". In accordance with SFAS No. 37, the intangible asset shall be measured initially at cost. After initial recognition, an intangible asset shall be measured at its cost plus revaluation increment revalued in accordance with the laws, less any accumulated amortization and any accumulated impairment losses.

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

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

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

(N) Convertible Bonds

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

- (a) Due to the inseparability of the conversion option and debt elements, convertible bonds are stated at the total issue price on issuance date.

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

- (b) The direct and necessary costs of issuing convertible bonds are recognized as deferred expenses and amortized using the straight-line method over the term of the bonds or over the period from issuance date to expiry date of the put option, whichever is shorter. If repayment occurs prior to maturity, the remaining unamortized deferred expenses are recognized as current expenses in proportion of earlier redemption.
- (c) The redemption premium of puttable convertible bonds, which represents the difference between the specified put price and par value, is amortized using the interest method and is recognized as the liability and interest expense over the period from the issuance date of the bonds to the expiry date of the put option.
- (d) When bondholders exercise their conversion rights, the unamortized issue costs, redemption premium, and par value of the convertible bonds are converted into the common stock entitlement certificates or the capital stock at par value, while the excess amount is recorded as capital surplus.

(O) Collateral Assumed

Collateral assumed are stated at estimated net realizable value, and any difference from the nominal value of the original claim is reflected as a credit loss. On the balance sheet date, if the collateral assumed are still unsold, their net realizable values are reassessed. If there is sufficient evidence indicating that market value is lower than book value, the difference is recognized as a current loss, accounted for loss of impairment of assets. Gain or loss on disposal of collateral assumed is accounted for the other non-interest gain or loss.

(P) Customer Margin Accounts

The difference between margins and premiums duly collected from a future trader by an FCM in the course of futures brokerage business, and the corresponding fair-value price.

(Q) Futures Trader's Equity

The difference between margins and premiums deposited by futures traders and the corresponding settlement fair value.

When a debit balance arises on futures trader's equity, it shall be accounted for as futures margins receivable.

(R) Deposits and Remittances

Stated at the nominal amount accounting to the contract or expected maturity payment.

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

(S) Default Indemnity Reserve

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

(T) Securities Trading Loss Reserve

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

(U) Treasury Stock

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

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

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

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

(V) Income Tax

The Bank adopts SFAS No. 22 Accounting for "Income Taxes" for the purposes of making inter- and intra-period income tax allocation, as well as for calculating the current income tax expense (benefit). Accordingly, the income tax effects from taxable temporary differences are recognized as deferred tax liability, while those deductible temporary differences, prior years' loss carry forward benefits, and investment tax credits are accounted for as deferred tax assets but subject to management's judgment as to whether the realization is more likely than not. Adjustments to prior year's income tax expenses are charged against current income tax expense. Investment tax credits are recognized in the current year. Income taxes separately levied on interest revenue from short-term bills are reported as current income tax expense. The classification of deferred income tax assets or liabilities as current or non-current is based on the nature of the related asset or liability or the estimated period of realization.

The 10% surtax on undistributed retained earnings is recorded as current expense on the date of the stockholders' meeting to declare earnings distribution.

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

Other subsidiaries, except for the Bank and the Securities are filing income tax report separately.

(W) Pension Plan

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

Effective December 31, 1995, the Company's subsidiaries adopted SFAS No. 18 "Accounting for Pension Plan" to account for pensions plans. Effective March 1, 1998, the subsidiary adopted SFAS No. 18 "Accounting for Pension Plan" to account for pension plans.

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

The net pension cost recognized each period comprises the following:

- (a) Service cost.
- (b) Interest cost.
- (c) Expected return on pension fund assets.
- (d) Amortization of unrecognized prior period service cost.
- (e) Amortization of unrecognized pension gain or loss.
- (f) Amortization of unrecognized transitional net assets or net benefit obligations.
- (g) Gain (loss) on curtailment and settlement.

Gain (loss) on curtailment and settlement is reflected under current net pension costs when it is certain that curtailment and settlement is permanent.

For the Company and its subsidiaries, the difference between actual pension fund contributions and the net pension fund cost is accounted for as “accrued pension liabilities” or “prepaid pension cost”. The minimum pension liability is the minimum amount of pension liabilities that is required to be recognized on the balance sheet. The Company and Subsidiaries contributed monthly no less than 2% of gross salary to the employee pension fund which is deposited into a designated depository account with the Central Trust of China.

(X) Recognition of Revenue

Brokerage commission, gain on sale of securities and futures commission are recognized on the trading day. Gains from futures and option transaction are recognized daily. Other major interest income on loans and other remaining commission are estimated on an accrual basis.

(Y) Commitments and Contingencies

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

(Z) Earnings Per Share

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

Diluted earnings per share is due to the issuance of convertible bonds.

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

(AA) Financial Derivative Instruments

Financial derivative instruments including foreign exchange forward contracts, foreign currency swap, interest rate swap, foreign currency and interest rate swap, option, structured notes, stock warrant liabilities and futures margin deposits, etc. If the financial derivative instruments are not held for hedging, they are held for trading purpose.

(3) REASONS FOR AND EFFECT OF ACCOUNTING CHANGES

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

The Bank originally adopted the Financial Institution Merger Law, which allowed the losses on disposal of non-performing loans are amortized over sixty months period, and the unamortized balance is recorded as other assets. However, the Bank obtained the approval letter from Financial Supervisory Commission, Executive Yuan change to amortized all of the unamortized deferred loss on disposal of non-performing loans amounting of \$9,871,401 during the period of the six months ended June 30, 2006. If the deferred loss on disposal of non-performing loans were amortized over sixty months period, the net loss before the extraordinary income and loss are increase by \$3,386,421 and decreased by \$8,121,784 for the year ended December 31, 2007 and 2006; and the accumulated loss would be decreased by \$4,735,363 and \$8,121,784 as of December 31, 2007 and 2006, respectively, and the deferred loss on disposal of non-performing loans and would be increased by \$4,735,363 and \$8,121,784 as of December 31, 2007 and 2006, respectively.

Effective January 1, 2006, the Company and subsidiaries adopted the Republic of China Statements of Financial Accounting Standards (SFAS) No. 34 “Financial Instruments: Recognition and Measurement”. During initial recognition, financial assets and financial liabilities should be reclassified and measured with the fair value and amortized cost. As the result of adoption of SFAS No. 34, as of December 31, 2006 the revaluation differences accounted for as cumulative effect of change in accounting principle and adjustments to Stockholders’ equity amounted to \$402,718 and \$15,043, respectively.

(4) DETAILS OF SIGNIFICANT ACCOUNTS

(A) Cash and cash equivalents

	<u>December 31, 2007</u>	<u>December 31, 2006</u>
Cash on hand and Petty cash	\$ 1,482,122	1,400,898
Bank deposits	4,247,862	5,692,513
Short-term notes and bills	344,190	1,357,616
Checks for clearing	645,438	1,071,146
Total	<u>\$ 6,719,612</u>	<u>9,522,173</u>

Checks for clearing consist of checks deposited in the Bank after the Bank has already cleared checks for the day.

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

(B) Due from central bank and call loans to banks

	<u>December 31, 2007</u>	<u>December 31, 2006</u>
General account	\$ 1,377,814	3,718,641
Deposit reserve	5,728,599	5,188,077
Financial center	300,538	300,251
Call loans to banks	25,261,436	14,403,567
Total	<u>\$ 32,668,387</u>	<u>23,610,536</u>

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

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

	<u>December 31, 2007</u>	<u>December 31, 2006</u>
Government bonds	\$ 6,438,579	10,018,864
Corporate bonds	1,701,161	4,775,963
Convertible Corporate bonds	304,906	352,870
Overseas bonds	16,972	892,482
Listed and O.T.C. stock	6,000	601,616
Beneficiary certificates	-	18,710
Overseas stock	23,970	13,049
Open-end mutual funds and money market instruments	1,868,292	2,018,423
Operating securities - dealer	16,036,620	22,827,768
Operating securities - underwriter	874,008	814,468
Operating securities - hedging	805,373	233,533
Future guarantee deposits	1,045,046	538,207
Derivatives financial instruments	87,176	258,932
Subtotal	<u>29,208,103</u>	<u>43,364,885</u>
Valuation adjustment of financial assets	(122,593)	74,520
Net	<u>\$ 29,085,510</u>	<u>43,439,405</u>

Government bonds and corporate bonds under repurchase agreements were sold for \$73,101 and \$8,155,949 by December 31, 2007 and 2006, respectively. Net losses and gains on the financial assets held for trading of the Company and subsidiaries amounted to \$61,651 and \$199,072 for the years 2007 and 2006, respectively.

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

(D) Investment in redeemable bonds

	<u>December 31, 2007</u>	<u>December 31, 2006</u>
Central Government Construction Bonds	\$ 6,970,715	9,434,565
Corporate bonds	346,067	466,347
Financial debentures	880,247	620,821
Total	<u>\$ 8,197,029</u>	<u>10,521,733</u>

These bonds were made available for resale at an agreed amount of \$7,878,331 and \$10,333,969 after December 31, 2007 and 2006, respectively.

(E) Receivables, net

	<u>December 31, 2007</u>	<u>December 31, 2006</u>
Accrued interest receivable	\$ 806,928	1,042,149
Accounts receivable	3,244,287	2,026,891
Accounts receivable for credit cards	3,064,108	4,267,748
Other receivables	369,323	672,125
Notes receivable	624	8,642
Tax refund receivable	2,395	1,456
Factoring receivables - without recourse	1,846,492	1,978,876
Receivable from sale of non-performing loans	-	896,657
Receivables from securities financing	22,341,004	18,847,308
Securities refinance margin deposits	1,393	10,413
Receivables from dividend income	-	60
Receivables from securities refinance	1,112	17,552
Receivable from sale of foreign currency securities	65,474	248,665
Receivable from sale of trade government bond	163,586	297,795
Subtotal	<u>31,906,726</u>	<u>30,316,337</u>
Allowance for bad debts	<u>(55,605)</u>	<u>(115,115)</u>
Total	<u>\$ 31,851,121</u>	<u>30,201,222</u>

(F) Loans, net

	<u>December 31, 2007</u>	<u>December 31, 2006</u>
Loans	\$161,379,932	172,527,633
Export remittances	591,479	106,526
Overdrafts	4,462	93,905
Delinquent loans	6,462,625	7,885,322
Subtotal	<u>168,438,498</u>	<u>180,613,386</u>
Allowance for bad debts	<u>(1,996,440)</u>	<u>(3,319,057)</u>
Net	<u>\$ 166,442,058</u>	<u>177,294,329</u>

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

- (a) As of December 31, 2007 and 2006, the ratio of the Bank's equity capital to risk-based assets was 8.75% and 9.04%, respectively, and there were no loans written-off without prior recourse.
- (b) According to letters of the Bankers Association of the Republic of China at May 10, 2006 and, Financial Supervisory Commission, Executive Yuan at April 25, 2006, and April 27, 2006, the Bank participated the debt negotiation. For year ended December 31, 2007, according to the debts rearrangement that the total amount for the overdue loans and account receivable are readjusted to \$1,009,836.
- (c) As of December 31, 2007 and 2006, the balance of bad debt allowance on loans and advances amounted to \$2,081,211 and \$3,494,496, respectively, and the related thereof were as follows:

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

Item	Beginning Balance	Increase	Reclassification	Amount written off	Provision for debt negotiation	Adjustment for exchange rate fluctuation	Ending Balance
December 31, 2006							
Allowance for bad debts - account receivables	\$ 192,000	744,478	1,062,911	(2,224,519)	334,995	-	109,865
Allowance for bad debts - other receivables	109	3,740	7,294	(5,890)	-	(3)	5,250
Allowance for bad debts - bills and discounts	18,091	-	-	-	-	(1)	18,090
Allowance for bad debts - short-term loans and overdrafts	93,787	14,064	-	(14,064)	82,247	(14)	176,020
Allowance for bad debts - short-term secured loans and overdrafts	1,360	-	-	-	-	-	1,360
Allowance for bad debts - medium-term loans	198,507	-	-	-	71,227	(315)	269,419
Allowance for bad debts - medium-term secured loans	6,418	-	-	-	604	-	7,022
Allowance for bad debts - long-term loans	16,743	176	-	(176)	-	-	16,743
Allowance for bad debts - long-term secured loans	84,634	-	-	-	-	-	84,634
Allowance for bad debts - delinquent loans	2,578,187	4,271,521	-	1,070,205	(2,977,674)	-	2,801,829
Allowance for guarantee reserve	4,267	-	-	-	-	(3)	4,264
Total	\$ 3,194,103	5,033,979	-	(5,222,323)	489,073	(336)	3,494,496

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

- (d) The Bank's delinquent loans consisted of various loans and other credit amounts which have been reclassified to "delinquent loans" account. Loans which are overdue for six months from the repayment due date are reclassified to "delinquent loans" account. The accrual of interest thereon is discontinued for internal purposes, but continues for external purposes. In addition, the interest accrual is noted in each sub-account through a memo entry. The accrued interest on overdue loans prior to reclassification into the "delinquent loans" account is combined with the principal amount and transferred to the "delinquent loans" account. As of December 31, 2007 and 2006, the principal of such loans and advances with discontinued interest accrual amounted to \$6,119,370 and \$7,408,609, respectively.
- (e) As of December 31, 2007 and 2006, the un-accrued interest revenue for loans and advances with overdue interest and principal, amounted to \$427,715, and \$537,250, respectively.

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

<u>December 31, 2007</u>	<u>Ownership %</u>	<u>Amount</u>
Taiwan Stock Exchange Corporation	3.00	\$ 586,067
Taiwan Securities Central Depository Co., Ltd.	1.74	43,789
Taiwan Futures Exchange Co., Ltd.	2.45	50,231
Fubon Securities Finance Co., Ltd.	1.97	74,542
Global Securities Finance Corporation	0.88	57,832
En Tie Securities Finance Co., Ltd.	0.24	12,444
Top Taiwan III Venture Capital Co., Ltd.	10.00	100,000
Parawin Venture Capital Corp.	6.00	60,000
Jih Sun Securities Investment Trust Co., Ltd.	10.00	74,880
Cotillion III Venture Capital Corp.	9.96	50,000
PK III Venture Corp.	9.29	65,000
Jih Sun Venture Capital Corp.	5.00	22,500
Taiwan Integrated Shareholder Service Company	5.27	15,395
Hui Yang Venture Capital Group	7.50	150,000
Caprion Corp.	-	279
JSA Venture Capital Corp	19.17	43,317
Government bonds	-	-
Fixed revenue preferred stock	-	-
Listed and O.T.C. stock	-	486,504
Valuation adjustment of financial assets	-	(88,501)
Total		\$ 1,804,279

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

December 31, 2006	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.	2.45	50,231
Fubon Securities Finance Co., Ltd.	1.97	74,542
Global Securities Finance Corporation	0.88	57,832
En Tie Securities Finance Co., Ltd.	0.24	12,444
Top Taiwan III Venture Capital Co., Ltd.	10.00	100,000
Parawin Venture Capital Corp.	6.00	60,000
Jih Sun Securities Investment Trust Co., Ltd.	10.00	74,880
Cotillion III Venture Capital Corp.	9.96	50,000
PK III Venture Corp.	9.29	65,000
Jih Sun Venture Capital Corp.	5.00	29,520
Taiwan Integrated Shareholder Service Company	5.27	15,395
Hui Yang Venture Capital Group	7.69	150,000
Caprion Corp.	-	280
JSA Venture Capital Corp	19.17	46,358
Government bonds	-	1,871,588
Fixed revenue preferred stock	-	486,000
Listed and O.T.C. stock	-	504
Valuation adjustment of financial assets	-	115,383
Total		\$ 3,889,813

As of December 31, 2007 and 2006 the above assets were pledged to secured credit lines of bank loans amounted to \$735,572 and \$764,752, respectively.

(H) Held-to-maturity financial assets

	December 31, 2007	December 31, 2006
Financial assets securitized instrument	\$ -	478,796

(I) Financial asset securities

(a) Characteristic and income

In September 2004, the \$3,754,779 worth of carrying value of the Auto Loan Receivables was securitized by the Bank to Deutsche Bank AG, Taipei Branch for issuance of beneficiary certificates of \$4,514,205, which consisted of the following:

1. Investor certificates of \$4,035,409, with interest payable in accordance with the contract;
2. Subordinated seller certificates of \$478,796, bearing a fixed interest rate of 5.00%.

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

The holder of subordinated seller certificates of \$478,796 has the right to interest in excess of the fixed amount payable to the investors. If debtors fail to repay the securitized loans, the investor Deutsche Bank AG, Taipei Branch cannot exercise the right of recourse to the Bank. The repayment of the principal amount of subordinated seller certificates will be executed after the execution of the investor certificates and is affected by credit risk, repayment rate, and changes in interest rate on those transferred loans.

Under the securitization plan, loan repayments within a revolving period are appropriated as follows:

1. Interest payable for investor certificates;
2. The principal of investor certificates until the certificates are paid off;
3. The remainder, if any, as payments to the holders of subordinated seller's certificates.

(b) Key assumptions used in measuring retained interests

The key assumptions used in measuring the subordinated seller certificates arising from the loan securitization at the loans securitization dates and during the reporting period were as follows:

Repayment rate (annual rate)	1.02%
Weighted-average life (in years)	3.76
Expected credit losses rate (monthly rate)	0.04%
Discounting rate for residual cash flows	5.24%

(c) Sensitivity analysis

As of December 31, 2006, the key economic assumptions and sensitivity of the current fair value of residual cash flows with immediate 10% and 20% adverse changes in these assumptions were as follows:

Carrying amount of retained interests	\$	760,632
Weighted-average life (in years)		1.22
Repayment rate (annual rate)		1.02%
Impact on fair value with 10% adverse change		(69)
Impact on fair value with 20% adverse change		(143)
Expected credit losses (monthly rate)		0.04%
Discounting rate for residual cash flows		5.24%
Compensation rate of change		0%

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

(d) Cash flows

The cash flows received from and paid to securitization trusts are summarized as follows:

	<u>December 31, 2007</u>	<u>December 31, 2006</u>
Service profit received	\$ 1,352	5,999
Other cash flows received on reserved right	1,318	3,579
Service advances	723	3,446
Received from service advances	650	3,229

(e) Securitized assets, information on delinquencies, net credit losses, and un-securitized financial assets:

<u>Type of Loan</u>	<u>December 31, 2006</u>		
	<u>Total Principal of Loans</u>	<u>Principal of Loans 60 Days or More Past Due</u>	<u>Net Credit Losses</u>
Auto loans managed or securitized	\$ 21,123,715	<u>630,378</u>	<u>161,241</u>
Loans securitized	(351,041)		
Loans held for sale or securitization	(760,632)		
Loans held in portfolio	<u>\$ 20,012,042</u>		

(J) Property and equipment

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

<u>December 31, 2006</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net</u>
Land	\$ 3,838,987	-	3,838,987
Buildings	3,214,168	747,095	2,467,073
Other equipment	2,295,568	1,535,072	760,496
Construction in progress	1,998	-	1,998
Prepayment for equipment	170,455	-	170,455
Leasehold improvements	803,102	528,212	274,890
Total	<u>\$ 10,324,278</u>	<u>2,810,379</u>	<u>7,513,899</u>

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

(K) Intangible assets

<u>Original cost and repeat estimated increase in</u>	<u>Goodwill</u>	<u>Operation right</u>	<u>Computer software</u>	<u>Total</u>
January 1, 2006	\$ 56,423	1,711,443	316,984	2,084,850
Purchase	-	41,335	117,454	158,789
December 31, 2006	<u>\$ 56,423</u>	<u>1,752,778</u>	<u>434,438</u>	<u>2,243,639</u>
January 1, 2007	\$ 56,423	1,752,778	434,438	2,243,639
Purchase	-	-	183,058	183,058
December 31, 2007	<u>\$ 56,423</u>	<u>1,752,778</u>	<u>617,496</u>	<u>2,426,697</u>
<u>Amortization and Impairment loss</u>	<u>Goodwill</u>	<u>Operation right</u>	<u>Computer software</u>	<u>Total</u>
January 1, 2006	\$ (18,807)	(156,609)	(71,939)	(247,355)
Amortization, 2006	(4,702)	(336,162)	(91,504)	(432,368)
Other	-	(10,908)	-	(10,908)
December 31, 2006	<u>\$ (23,509)</u>	<u>(503,679)</u>	<u>(163,443)</u>	<u>(690,631)</u>
January 1, 2007	\$ (23,509)	(503,679)	(163,443)	(690,631)
Amortization, 2007	-	(359,743)	(99,147)	(458,890)
December 31, 2007	<u>\$ (23,509)</u>	<u>(863,422)</u>	<u>(262,590)</u>	<u>(1,149,521)</u>
<u>Book Value</u>	<u>Goodwill</u>	<u>Operation right</u>	<u>Computer software</u>	<u>Total</u>
January 1, 2006	<u>\$ 37,616</u>	<u>1,554,834</u>	<u>245,045</u>	<u>1,837,495</u>
December 31, 2006	<u>\$ 32,914</u>	<u>1,249,099</u>	<u>270,995</u>	<u>1,553,008</u>
January 1, 2007	<u>\$ 32,914</u>	<u>1,249,099</u>	<u>270,995</u>	<u>1,553,008</u>
December 31, 2007	<u>\$ 32,914</u>	<u>889,356</u>	<u>354,906</u>	<u>1,277,176</u>

For the year ended December 31, 2007 and 2006, intangible assets amortized the expenses of the Company and subsidiaries is accounted for the operating expenses and amounted to \$458,890 and \$432,368, respectively.

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

(L) Other financial assets

	<u>December 31, 2007</u>	<u>December 31, 2006</u>
Customer margin accounts	\$ 1,858,423	2,162,172
Short-term advances	635,033	779,661
Financial assets carried at cost	697,289	714,692
Delinquent loans-non transferred from loans	181,564	112,784
Allowance for bad debts-delinquent loans - non transferred from loans	(37,930)	(69,519)
Other financial assets	1,015,530	609,929
Total other financial assets	\$ 4,349,909	4,309,719

(M) Other assets

	<u>December 31, 2007</u>	<u>December 31, 2006</u>
Operating deposits	\$ 845,000	845,000
Securities settlement fund	544,774	529,622
Cash and cash equivalents-collection of stock warrant's strike price	950	3,364
Cash and cash equivalents-collection of securities underwritten	9	184,850
Collateral assumed	2,590,177	2,864,618
Allowance for collateral assumed	(128,534)	(78,632)
Other deferred assets	3,618	1,711
Securities brokerage debit accounts, net	1,263,196	27,923
Prepayments	784,000	944,183
Deferred income tax assets - net	64,413	59,505
Other assets - other	10,556	12,964
Guarantee deposits paid	478,103	751,427
Restricted assets	1,496,500	1,919,316
Deferred pension cost	1,537	1,655
Total	\$ 7,954,299	8,067,506

In 2005, 2004 and 2002, the Bank sold non-performing loans amounting to \$7,027,657, \$5,697,374 and \$7,215,208, respectively, to an asset management company for \$1,582,588, \$414,978 and \$446,509, respectively. The sale resulted in a loss of \$5,445,069, \$5,282,396 and \$6,768,699, respectively. In accordance with Article 15, Section 5 of the Law Governing Merger of Financial Institutions, the Bank amortized the loss equally over 60 months, with the unamortized balance reflected as deferred expenses. The amortization amounts were \$1,749,616 for the six months period ended June 30, 2006. The Bank obtained the approval letter from Financial Supervisory Commission, Executive Yuan at July 19, 2006, with the issuing number of FSC (6) 0950129783, changed to amortized all of the unamortized deferred loss on disposal of non-performing loans amounting to \$9,871,401 as for the six months period ended June 30, 2006.

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

Since of 2002, the Bank amortized the loss on disposal of non-performing loans equally over 60 months in accordance with Article 15, Section 5 of the Law Governing Merger of Financial Institutions which is not General Accepted Accounting Principle. The net loss for the year ended December 31, 2006 would be decreased by \$11,621,017 and the pro-forma net consolidated loss for the year 2006 was \$1,075,061, and then that was no effect for the year 2007.

(N) Deposits from central bank and other banks

	<u>December 31, 2007</u>	<u>December 31, 2006</u>
Deposits from Central Bank	\$ 22,434	13,310
Deposits from banks	2,932,467	5,223,388
Loan financing from banks	94,660	42,598
Call loans from banks	579,200	1,504,800
Post Office transfer deposits	12,160,053	13,654,796
Total	<u>\$ 15,788,814</u>	<u>20,438,892</u>

(O) Commercial paper payable, net

	<u>December 31, 2007</u>	<u>December 31, 2006</u>
Commercial paper payable	\$ 4,109,000	1,050,000
Less: Unamortized discount	(4,061)	(7,942)
Net	<u>\$ 4,104,939</u>	<u>1,042,058</u>

The issuance period for commercial paper payable is within 365 days, and operating securities and time deposits were provided as collateral. The annual interest rates ranged from 1.87% to 2.96% and 1.43% to 1.66% during the years ended December 31, 2007 and 2006, respectively.

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

	<u>December 31, 2007</u>	<u>December 31, 2006</u>
Redeemable bonds - financing securities	-	542,668
Liabilities for stock warrants issued	\$ 1,038,706	385,720
Repurchased stock warrants	(888,439)	(293,370)
Put options - futures	123,705	60,989
Financial derivative instruments liabilities	121,722	112,915
Adjustments in value of securities payable	8,957	(2,278)
Total	<u>\$ 404,651</u>	<u>806,644</u>

Net gains and losses on the financial assets held for trading of the Company and subsidiaries amounted to \$57,082 and \$144,793 for the years 2007 and 2006, respectively.

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

(Q) Liabilities of bonds with repurchase agreements

	<u>December 31, 2007</u>	<u>December 31, 2006</u>
Central government construction bonds	\$ 10,312,913	21,465,093
Corporate bonds	4,061,164	5,413,714
Financial debentures	2,312,251	5,898,666
Total	<u>\$ 16,686,328</u>	<u>32,777,473</u>

Based on the repurchase agreements, after December 31, 2007 and 2006, the Company and subsidiaries is obligated to repurchase the above bonds at the sales price plus a mark-up of \$15,411,355 and \$32,000,711, respectively.

(R) Accounts payables

	<u>December 31, 2007</u>	<u>December 31, 2006</u>
Accounts payable	\$ 3,275,130	2,199,319
Interests payable	1,049,640	1,078,634
Other payables	2,646,067	1,465,718
Financing securities guaranty deposits	1,264,580	1,737,112
Futures traders' equity	5,782,374	4,874,782
Financing securities guaranteed proceeds payable	1,416,575	1,960,113
Factoring payable	677,803	892,516
Collection payable	37,097	96,056
Accrued expenses	211,812	955,994
Income tax payable	-	29,473
Notes payable	117	6,216
Notes payable for clearing payable	645,438	1,071,146
Purchase trade government bond payable	49,827	-
Payables for purchase of foreign currencies marketable securities	65,362	163,497
Total	<u>\$ 17,121,822</u>	<u>16,530,576</u>

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

(S) Deposits and remittances

	<u>December 31, 2007</u>	<u>December 31, 2006</u>
Checking deposits	\$ 1,044,662	934,080
Bank checks	110,279	114,234
Demand deposits	19,149,134	18,172,287
Time deposits	58,955,776	50,619,076
Savings deposits	113,662,461	123,055,294
Outward remittance and remittance pending release	8,438	2,428
Total	<u>\$ 192,930,750</u>	<u>192,897,399</u>

As of December 31, 2007 and 2006, negotiable certificates of time deposits amounted to \$4,714,100 and \$5,511,100, respectively.

(T) Financial debentures

	<u>December 31, 2007</u>	<u>December 31, 2006</u>
Financial debentures	\$ 7,000,000	11,000,000
Bonds Payable	9,000,000	9,000,000
Total	<u>\$ 16,000,000</u>	<u>20,000,000</u>

A. Financial debentures

(a) On October 25, 2004, the Bank issued senior financial debentures totaling \$4,000,000. Terms and conditions of the issuance are as follows:

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

(b) On July 5, 2005, the Bank issued senior financial debentures totaling \$2,000,000. Terms and conditions of the issuance are as follows:

1. Issue price: At face value.
2. Issue period: From July 5, 2005 to July 5, 2012.
3. Interest rate: Fixed rate of 2.93%.
4. Interest accrual: Annual interest payments.
5. Repayment of principal: Full repayment of principal at maturity.

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

(c) On April 3, 2007, the Bank issued senior financial debentures totaling \$1,000,000. Terms and conditions of the issuance are as follows:

1. Issue price: At face value.
2. Issue period: From April 3, 2007 to April 3, 2014
3. Interest rate: Fixed rate of 3.00%.
4. Interest accrual: Annual interest payments.
5. Repayment of principal: Full repayment of principal at maturity.

(d) On September 25, 2002, the Bank issued senior financial debentures totaling \$5,000,000. Terms and conditions of the issuance are as follows:

1. Issue price: At face value.
2. Issue period: From September 25, 2002, to September 25, 2007.
3. Interest rate: Fixed rate of 3.975%.
4. Interest accrual: Annual interest payments.
5. Repayment of principal: Full repayment of principal at maturity.
6. This is full repayment of principal at maturity.

B. Bonds payable

Nature	Trustee and Certification Institution		Period	December 31, 2007	December 31, 2006	Pledged Assets
Secured Bonds	Cathay Bank	United	2004.11.25~2009.11.25	\$ 500,000	500,000	Land, building and time deposits
Secured Bonds	Cathay Bank	United	2004.11.26~2009.11.26	500,000	500,000	Land, building and time deposits
Unsecured Convertible Bonds	-		2005.03.28~2010.03.27	6,000,000	6,000,000	None
Unsecured Subordinate Bonds	-		2005.12.14~2012.12.14	2,000,000	2,000,000	None
				<u>\$ 9,000,000</u>	<u>9,000,000</u>	

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

1. On Sep. 20, 2004, the Securities' Board of directors approved the first local secured bonds of \$1,000,000, and received approval of Financial Supervisory Commission, Executive Yuan on November 18, 2004, the main purpose of the issuance is increase the working capital and enlance the financial structure. For the difference issuing terms and maturity date, the corporate bonds issued was distinguished into A bonds and B bonds, par value of \$10,000 per unit, totally 100 units was issued, annual interest rate would be paid 2.65%, a 5 years period and issued on par value. Form the issuing date, the interest once a year, the principal would be due and repay by the 5-year end.
2. On December 14, 2005, the Company issued unsecured Subordinate Bond amounting to \$2,000,000 with interest rate 3.3% at par value. Interest would be payable annually in the next seven years. The principal would be due and repay on the December 14, 2012. If the consolidated capital adequacy is lower than the minimum required capital adequacy due to paying interest or repay the bonds, the Company will not pay interest and repay the bonds until the consolidated capital adequacy is over the minimum required capital adequacy.
3. On March 28, 2005, the Company issued credit enhanced zero upon convertible bonds amounting to \$6,000,000 at par value due in March 27, 2010. The terms of issuance are as follows:

A. Conversion period and conversion price:

The bondholders may, from one month after the issue date to ten days prior to the maturity date, convert the bonds into the Company's common stocks. The conversion price at the pricing date was NT\$10.9 per share. The conversion price will be adjusted due to changes in common stocks. As of December 31, 2007, the adjusted conversion price is NT\$11.8 per share.

B. Redemption at the option of the Company:

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

C. Redemption at the option of the bondholders:

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

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

(U) Other liabilities

	December 31, 2007	December 31, 2006
Commercial paper payable	\$ 1,795,959	1,989,011
Long-term loans	2,400,000	-
Short-term loans – less than 1 year	2,995,000	6,175,000
Net	\$ 7,190,959	8,164,011

(a) Commercial Paper Payable

Creditor	Period	Credit line	December 31, 2007	December 31, 2006	Note
Taishin Bills Finance Corp.	93.01.05~96.07.08	\$ -	-	2,000,000	Use circularly within the limit
China Bills Finance Corp.	96.03.08~99.03.07	500,000	500,000	-	"
Mega Bills Finance Corp.	96.03.06~99.03.05	500,000	500,000	-	"
Internatinal Finance Corp.	Bills 96.02.07~99.02.07	500,000	500,000		"
International Finance Corp.	Bills 96.05.04~99.06.05	300,000	300,000	-	"
Subtotal			1,800,000	2,000,000	
Less: Unamortized discount			(4,041)	(10,989)	
Total			1,795,959	1,989,011	

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

(b) Long-term borrowings

Creditor	Period	Credit line	December 31, 2007	December 31, 2006	Note
Shanghai Commercial & Saving Bank, Ltd	96.07.20~99.07.20	\$ 100,000	80,000	-	Use circularly within limit
Taipei Fubon Bank	96.07.20~99.07.20	500,000	400,000	-	"
Taiwan Business Bank	96.07.20~99.07.20	300,000	240,000	-	"
Bank of Taiwan	96.07.20~99.07.20	300,000	240,000	-	"
Mega International Commercial Bank	96.07.20~99.07.20	500,000	400,000	-	"
Cathay United Bank	96.07.20~99.07.20	500,000	400,000	-	"
Hua Nan Bank	96.07.20~99.07.20	300,000	240,000	-	"
Far Eastern International bank	96.07.20~99.07.20	500,000	400,000	-	"
Total			<u>2,400,000</u>	<u>-</u>	

(c) Short-term loans

Nature of the loan	Amount	Interest rate	Credit line	Pledged assets
December 31, 2007				
Credit loans	\$1,140,000	2.65%~3.23%	3,100,000	-
Secured loans	1,855,000	2.39%~3.1%	3,690,000	Saving accounts and time deposits
Total	<u>\$2,995,000</u>			
December 31, 2006				
Credit loans	\$2,710,000	1.77%~2.075%	3,170,000	-
Secured loans	3,465,000	1.72%~2.00%	6,385,000	Securities and time deposits
Total	<u>\$6,175,000</u>			

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

(V) Pension plan

(a) Net pension costs were as follows :

	<u>December 31, 2007</u>	<u>December 31, 2006</u>
Service cost	\$ 24,669	27,690
Interest cost	18,375	17,896
Expected return on plan assets	(12,480)	(12,177)
Amortization of unrecognized transition loss	(1,504)	(1,620)
Amortization of gain and loss	6,247	5,186
Curtailement or Settlement	(11,682)	(14,753)
Net pension cost	<u>\$ 23,625</u>	<u>22,222</u>

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

	<u>December 31, 2007</u>	<u>December 31, 2006</u>
Discount rate	3.50%	3.50%
Future salary increase rate	1.00%~3.00%	1.00%~3.00%
Expected rate of return on plan assets	2.50%	2.50%

	<u>December 31, 2007</u>	<u>December 31, 2006</u>
Vested benefit obligation	\$ 20,424	14,302
Non-vested benefit obligation	351,541	333,346
Accumulated benefit obligation	371,965	347,648
Effect of future salary increase	113,573	178,588
Projected benefit obligation	485,538	526,236
Fair value of pension assets	(507,587)	(480,463)
Funded status	(22,049)	45,773
Unrecognized net transition asset	5,922	8,044
Unrecognized pension loss	(7,211)	(69,617)
Revised Accrued pension liabilities	10,710	11,605
Accrued pension liabilities	<u>(12,628)</u>	<u>(4,195)</u>
Deferred pension costs	<u>1,537</u>	<u>1,655</u>
Net loss not recognized as pension costs	<u>9,172</u>	<u>9,950</u>

As of December 31, 2007 and 2006, the vested benefit obligation amounted to \$24,138 and \$17,282, respectively. The Company and subsidiaries funded the pension cost according to the Labor Pension Act of R.O.C amounted to \$141,461 and \$153,686 for the years 2007 and 2006, respectively.

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

(W) Stockholders' equity

(a) Capital stock

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

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

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

1. If the Company have the current year's earnings the current year's earnings, if any, shall be allocated in the following order:
 - A. Payment of all taxes and dues.
 - B. Offset prior years' operating losses, if any.
 - C. After deducting A and B, set aside 10% of the remaining amount as legal reserve and also set aside an amount equal to the net change in the reduction of the stockholders' equity in the prior year from its annual net income and undistributed earnings of prior years, resulting from adjustments such as cumulative foreign currency translation adjustments such as cumulative foreign currency translation adjustment and unrealized loss on long-term investment as special reserve. If necessary, the Company can provide other special reserve or retain the earnings.
 - D. After deducting A, B, and C, the Company should distributed series A preferred stock first.
2. The series A preferred stock dividend will be calculated at annual rate with 5.5%, and the issued date was defined as base date for offering. (July 21, 2006)

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

3. If the Company has no earnings or not enough to assign dividend of series A preferred stock, the insufficient part won't accumulate to the next year.
4. Except for the dividends described as 2. the series A preferred stock cannot join the assignment of remaining earnings to common stock and stock dividend from capital surplus.
5. The stockholders have no right to vote at stockholder meeting, they also can not vote for directors and supervisors; but they can be elected as directors and supervisors.
6. The stocks was collected on July 21,2006 and presented to Financial Supervisory Commission, Executive Yuan at the same day.

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

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

As of December 31, 2007, the Company's authorized capital was \$50,000,000, total outstanding capital was \$26,124,494, total outstanding common shares was 2,170,775,425 shares and preferred shares was 441,674,057 shares.

(b) Capital surplus

Pursuant to Accounting Research and Development Foundation of the Republic of China Ruling Letter No. (90) 182 dated October 29, 2001, investment cost of the subsidiaries involved in the stock conversion between Jih Sun Securities Co., Ltd. and Jih Sun International Bank, Ltd. is based on the difference between the book values of assets and liabilities of the subsidiaries, with par value reflected as capital stock and additional paid-in capital reflected as capital surplus.

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

Additional paid-in capital resulting from the stock conversion amounted to \$10,061,508 with unappropriated earnings originally belonging to subsidiaries prior to conversion of \$2,472,392 required to be distributed as cash dividends in accordance to Article 47, Paragraph 4 of the Financial Holding Company Law. Unappropriated earnings transferred to increase capital are allowed during the year the conversion occurred, and Article 8 of the Securities Exchange Law Implementation Rule does not restrict the capitalization ratio.

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

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

The stockholders' meeting held at April 10, 2007 had approved capital surplus against accumulated deficit as follow :

Allocation of Deficit
 For the Year Ended December 31, 2006

	Amount
Accumulated deficit, Jan. 1, 2006	\$ -
Add: 2006 deficit after tax	(12,699,458)
Less: Issuance of preferred stock debit to retained earnings	<u>(2,666,667)</u>
Accumulated deficit, Dec. 31, 2006	(15,366,125)
Capital surplus against accumulated deficit	1,654,635
Capital stock against accumulated deficit	<u>13,711,490</u>
Accumulated deficit to be offset, Dec. 31, 2006	<u><u>\$ -</u></u>

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

(c) Treasury stock

On December 31, 2007 and 2006, in accordance with Article 28-2 of the Securities Exchange Law, treasury stock transferred to employees repurchased were all 120,000 thousand shares.

According to the requirements under the Securities Exchange Law, the ratio of the number of treasury shares repurchased shall not exceed 10% of the total shares issued; the total amount of the shares repurchased shall not exceed the sum of retained earnings, premium on stock issuance, and realized capital surplus. The Company's highest amount of treasury shares held during the year was 160,000 thousand shares, respectively and the total amount of treasury stock repurchased was \$1,532,161, which complies with the requirements under the Securities Exchange Law. Using financial statements as of March 31, 2004, the maximum amount of treasury stock repurchased was 225,327 thousand shares for a total of \$8,604,823, respectively. As of December 31, 2006, the repurchased shares of treasury stock was 120,000 thousand shares, and after June 26, 2007 capital decrease, the repurchased shares of treasury was 79,501 thousand shares. At August 1, 2007, the Company transferred 457 thousand shares (after capital reduction was 303 thousand shares) to the employees, with NT \$ 9.16 per share, total amounted to \$ 4,185. The remaining untransferred treasury stock were retired, please refer to the Note 4(W) (a). As of December 31, 2007, there is no treasury stock of the Company.

(X) Earnings distribution and dividend policy

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

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

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

The Company incurred a loss for 2007 and 2006, and therefore no employee bonuses and remuneration to directors and supervisors were distributed.

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

(Y) Income tax

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

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

(a) Following are the Company's income tax components in 2007 and 2006:

	<u>2007</u>	<u>2006</u>
Income tax currently payable	\$ 55,835	\$ 67,216
Gain on deferred tax	(4,113)	(19,337)
Surtax of 10% on undistributed earnings	-	70
Adjustment of prior year's income tax expense	7,158	(17,624)
Income tax expense	<u>\$ 58,880</u>	<u>\$ 30,325</u>

The components of gain on deferred tax were as follows:

	<u>2007</u>	<u>2006</u>
Default indemnity reserve	\$ (3,059)	\$ (3,427)
Employees' benefit	56	315
Pension fund expense	(1,110)	(10,831)
Investment tax credits	-	(4,334)
Others	-	(1,060)
Total	<u>\$ (4,113)</u>	<u>\$ (19,337)</u>

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

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

	2007	2006
Income (loss) before income tax calculated at legal tax rate	\$ 199,212	(6,230,994)
Income tax effect of adjustment items Permanent difference:		
Loss on disposal of securities	(376,849)	(165,190)
Investment loss(gain) – equity method	(338,045)	3,063,496
Provision for (reversal of provision for) market decline of operating securities	9,444	(40,968)
Difference between financial and tax treatment of bonds with repurchase agreement	268,582	54,809
Difference between financial and tax treatment of stock warrants	(57,744)	69,039
Reversal of provision for securities trading loss reserve	(6,378)	358
Gain or loss from bond transactions	55,494	37,656
Loss on land transactions	(17,076)	(8,093)
OBU loss (income) tax exemption	(24,576)	(16,036)
Loss on market decline of collateral	38,920	(16,630)
Allowance for credit loss over limit	(317,404)	117,562
Dividend income	(571)	-
Unrealized exchange loss	(884)	10,386
Unrealized derivative income	50,642	1,113
Adjustment of prior year's income tax	7,158	-
Tax separately levied on marketable securities transaction	2,820	-
Provision of securities trading loss	3,059	3,427
Amortization of employee benefit expense	(56)	(315)
Adjustments of deferred income tax assets	588,527	3,202,448
Tax separately levied on marketable securities tax	(2,250)	(5,225)
Other	(23,145)	(46,518)
Income Taxes	\$ 58,880	30,325

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

- (c) A summary of temporary differences and income tax effects of deferred tax assets and liabilities as of December 31, 2007 and 2006 is as follows:

	December 31, 2007		December 31, 2006	
	Amount	Tax effect	Amount	Tax effect
Deferred tax assets — current				
Employee welfare expense	\$ -	-	226	56
Investment tax credits	14,447	4,334	14,447	4,334
Set-up expenses	9	2	12	3
Allowance for deferred tax assets-current	(9)	(2)	(12)	(3)
Total	\$ 14,447	4,334	14,673	4,390
Deferred tax assets — non-current				
Bad-debt loss	\$ 9,522	2,380	9,522	2,380
Default loss	118,514	29,629	106,277	26,569
Amortization of bad-debit	4,735,363	1,183,841	8,121,784	2,030,446
Loss carry forwards	14,934,612	3,733,653	10,923,560	2,730,892
Investment tax credits	33,279	8,319	31,132	7,783
Pension expense	(37,839)	(9,460)	(20,897)	(5,224)
Allowance for deferred tax assets	(19,534,773)	(4,888,283)	(18,950,925)	(4,737,731)
Total	\$ 258,678	60,079	220,453	55,115

- (d) The company jointly filed income tax returns for 2007 for the Company, Jih Sun Securities Co., Ltd., and Jih Sun International Bank, Ltd. There is no income tax payable for the 2007 tax returns.
- (e) Income tax returns of the Company through 2002 had been examined and cleared by the tax authorities.
- (f) The Company estimated its income tax on stock warrant transactions pursuant to ruling 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. The Chinese Securities Association is currently asking for amendment of the law so that the loss from securities transactions and the royalty income can be offset, retroactive to 1997. However, before the amendment is finalized, the Company estimates its income tax according to the current regulation. According to the tax law, the Company estimated its income tax payable on stock warrant transactions from 2003-2006 amounted to \$ 837,041. Otherwise, according to the article of 24-2 the Income Tax Law which is passed on July 11, 2007:
1. During the period of issued date to maturity date of the stock warrant, which is issued by the issuer, the profit and the loss of the securities and financial derivative instruments, traded according to risk management, should be added to taxable income and don't apply to the Income Tax Law, the article of 4-1 and 4-2.
 2. The transaction loss is produced from the trading of the stock, target valuable securities,

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

and futures according to the risk management. The part of the transaction loss which exceeds the rest of the stock warrant right fee revenue deducted each related issuing cost and expenses is not deductible.

Income tax returns of the Bank through 2002 had been examined and cleared by the tax authorities.

Income tax returns of the Futures through 2003 had been examined and cleared by the tax authorities.

- (g) According to R.O.C Income Tax Laws, losses can be carry forward to offset taxable income for five years following the loss. As of December 31, 2007, unused carry forwards and expiration date of the Company and subsidiaries were as follows:

Period of loss	Year of expiration	Amount
2004	2009	\$ 11,810
2005	2010	4,987,710
2006	2011	4,941,149
2007	2012	4,993,943
Total		<u><u>\$ 14,934,612</u></u>

- (h) Related information on imputation tax system:

	<u>December 31, 2007</u>	<u>December 31, 2006</u>
Balance of stockholders' imputation credit account	\$ 1,817,427	1,892,883

Due to accumulated loss as of December 31, 2007 and 2006, estimated imputation credit ratio of earning distribution were both 0%.

- (i) Related information on undistributed earnings:

	<u>December 31, 2007</u>	<u>December 31, 2006</u>
Undistributed earnings of 1998 and after	\$ (320,358)	(15,366,125)

- (j) Information regarding tax incentives resulting from joint filing of tax:

	<u>December 31, 2007</u>	<u>December 31, 2006</u>
Income tax payable resulting from tax incentives-bank	\$ (941,656)	(498,200)
Income tax receivable resulting from tax incentives-securities	622,833	275,399
	<u><u>\$ (318,823)</u></u>	<u><u>(222,801)</u></u>

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

(Z) Earnings per share-common

	2007		2006	
	Before Tax	After Tax	Before Tax	After Tax
Basic earnings per share – common stock				
Income (Loss) of before	\$ 131,943	73,063	(13,068,471)	(13,098,796)
Cumulative effect of change in accounting principle				
Cumulative effect of change in accounting principle	-	-	402,718	402,718
Consolidated net income (loss)	131,943	73,063	(12,665,753)	(12,696,078)
Weighted-average shares of common stocks outstanding	2,170,472,657	2,170,472,657	2,941,361,902	2,941,361,902
Income (Loss) of before	0.06	0.03	(4.44)	(4.45)
Cumulative effect of change in accounting principle (NT dollar)				
Cumulative effect of change in accounting principle (NT dollar)	-	-	0.13	0.13
Consolidated EPS (NT dollar)	0.06	0.03	(4.31)	(4.32)
Earnings per share-retroactive adjustment :				
Weighted-average shares of common stocks outstanding (note)	-	-	1,948,684,850	1,948,684,850
Loss of before				
Cumulative effect of change in accounting principle (NT dollar)	-	-	(6.71)	(6.73)
Cumulative effect of change in accounting principle (NT dollar)	-	-	0.21	0.21
Consolidated EPS (NT dollar)	-	-	(6.50)	(6.52)

note : Adjusted according to capital decrease ratio 33.748892%

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

Diluted Earnings per share:

Weighted-average shares of common stocks outstanding	2,170,472,657	2,170,472,657	-	-
Shares of convertible bond	508,474,576	508,474,576	-	-
	<u>2,678,947,233</u>	<u>2,678,947,233</u>	<u>-</u>	<u>-</u>
Consolidated EPS (NT dollar)	<u>0.05</u>	<u>0.03</u>	<u>-</u>	<u>-</u>

(AA) Other non-interest gain or loss

<u>Investment Item</u>	<u>2007</u>	<u>2006</u>
Gain on financial assets carried at cost-net	\$ 28,913	21,165
Received of bad debts	293,716	214,845
Gain on sale of collateral assumed	279,590	145,968
Lease revenue-operating assets	13,576	29,422
Loss on sale of assets	(1,374)	-
Loss on scrap of assets	(6,799)	(34,710)
Dividend income	212,883	105,680
Gain on shorting	21,884	14,143
Gain on issuance of stock warrants	517,586	142,409
Future consulting fees	1,085	1,812
Securities registration and service fee	30,047	30,775
Loss on structured notes	-	(5,125)
Others	214,225	228,949
Total	<u>\$ 1,605,332</u>	<u>895,333</u>

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

(AB) Financial instruments

(a) The company and subsidiaries on fair value of financial instruments

Financial Assets	December 31, 2007		December 31, 2006	
	Book Value (Nominal Principal)	Fair Value	Book Value (Nominal Principal)	Fair Value
<u>Non-derivative financial instruments</u>				
Financial assets with book value equal to fair value	\$ 249,120,303	249,120,303	251,985,467	251,985,467
Financial assets measured at fair value through profit	27,909,310	27,909,310	42,626,802	42,626,802
Bills and bonds purchased under resell agreements	8,197,029	8,197,029	10,521,733	10,521,733
Available-for-sale financial assets-net	1,804,279	1,804,279	3,889,813	3,889,813
Held-to-maturity financial assets	-	-	478,796	478,796
<u>Derivative financial instruments</u>				
Future margin deposit	1,045,046	1,045,046	538,207	538,207
Call options-future	14,065	14,065	11,333	11,333
Derivative financial instruments	12,975	12,975	128,142	128,142
Forward contract	2,403,175	5,134	440,064	2,470
Futures	23,821	59,861	418,773	107,330
SWAP	-	-	4,514,490	3,498
Currency option	1,528,577	21,447	1,289,527	19,081
Interest rate goods	31,048,860	17,672	24,340,860	2,542

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

Financial Liabilities	December 31, 2007		December 31, 2006	
	Book Value (Nominal Principal)	Fair Value	Book Value (Nominal Principal)	Fair Value
<u>Non-derivative financial instruments</u>				
Financial liabilities with book value equal to fair value	\$231,634,951	231,634,951	232,904,679	232,904,679
Bills and bonds purchased under repurchase agreements	16,686,328	16,686,328	32,777,473	32,777,473
Bonds payable	16,000,000	16,000,000	20,000,000	20,000,000
Other debts	7,190,959	7,190,959	8,164,011	8,164,011
<u>Derivative financial instruments</u>				
Redeemable bonds-financing securities	-	-	542,925	542,925
Liabilities for stock warrants issued	1,038,706	1,038,706	385,720	385,720
Repurchased stock warrants	(888,439)	(888,439)	(293,370)	(293,370)
Put options-future	123,705	123,705	60,989	60,989
Derivative financial instruments-counter	107,570	107,570	79,901	79,901
Forward contract	-	-	1,410,204	129
SWAP	475,454	1,647	1,817,445	6,250
Taiwan currency stock options	-	-	42,350	1,271
Currency option	1,528,577	21,447	1,426,777	19,081
Foreign currency stock options	178,727	15	216,709	3,567
Interest rate goods	-	-	24,340,860	181

(b) Methods and assumptions used by the Company and subsidiaries for fair value evaluation of financial instruments were 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, book value is a reasonable basis to estimate the fair value. Short-term financial instruments comprise financial assets such as cash and cash equivalents, due from Central Bank and call loans to banks, receivable – net, loans – net, other financial assets – net, other assets – net, and financial liabilities, such as deposits from Central Bank and other banks, commercial paper payable, payables, deposits, other financial liabilities, other reserves and other liabilities.

2. Securities payable and other loans are estimated by the present value of expected future cash flows. The discount rate is based on rates of equivalent loans available elsewhere; that is, loans with similar maturity date and terms (close to maturity date).

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

3. 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.
4. The fair value of the financial instruments of the Company and subsidiaries, which were based on quoted market price or determined by using certain valuation techniques were as follows:

Financial Assets	December 31, 2007		December 31, 2006	
	Based on quoted market prices	Determined value by using valuation techniques	Based on quoted market prices	Determined value by using valuation techniques
Non-derivative financial instruments				
Financial assets with book value equal to fair value	\$ -	249,120,303	-	251,985,467
Financial assets measured at fair value through profit or loss-net	27,897,961	11,349	39,947,359	2,679,443
Bills and bonds purchased under resell agreements	-	8,197,029	-	10,521,733
Available-for-sale financial assets-net	398,003	1,406,276	1,890,489	1,999,324
Held-to-maturity financial assets	-	-	-	478,796
Derivative financial instruments				
Future margin deposit	1,045,046	-	538,207	-
Call options-futurre	14,065	-	11,333	-
Derivative financial instruments	-	12,975	107,261	20,881
Forward contract	-	5,134	-	2,470
Futures	59,861	-	107,330	-
SWAP	-	-	3,498	-
Currency option	-	21,447	-	19,081
Interest rate goods	-	17,672	-	2,542

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

Financial Liabilities	December 31, 2007		December 31, 2006	
	Based on quoted market prices	Determined value by using valuation techniques	Based on quoted market prices	Determined value by using valuation techniques
Non-derivative financial instruments				
Financial assets with book value equal to fair value	\$ -	231,634,951	-	232,904,679
Bills and bonds under repurchase agreements	-	16,686,328	-	32,777,473
Bonds payable	-	16,000,000	-	20,000,000
Other debts	-	7,190,959	-	8,164,011
Derivative financial instruments				
Bonds purchased under resell agreements	-	-	542,925	-
Liabilities for stock warrants issued	1,038,706	-	385,720	-
Repurchase of stock warrant	(888,439)	-	(293,370)	-
Put options-future	123,705	-	60,989	-
Derivative financial instruments-counter	107,570	-	79,901	-
Forward contract	1,647	-	6,250	-
SWAP	-	-	1,271	-
Taiwan currency stock options	-	21,447	-	19,081
Currency option	15	-	3,567	-
Foreign currency stock options	-	-	-	129
Interest rate goods	-	-	-	181

- (c) For the years 2007 and 2006, the gain and loss arising from the fair value evaluation of financial instruments by using quoted market prices and valuation techniques amounted to \$24,903 and \$2,943, respectively.

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

(d) Financial risk management system and risk information:

The financial risk management structure of the Company and subsidiaries includes the Board meetings of the Company and subsidiaries, top management, the risk management committee, the risk management division of the Company and risk management unit under business group. The risk management division of the Company monitors and manages related risks, and through the Risk Management Committee and the cooperation between the risk management to meet the strategy of balancing the risk and returns and to meet the shareholders' expected returns. The Company and subsidiaries had set up the risk management rules approved by the Board meeting to control and monitor all kinds of risk.

1. Policies of risk control and management:

A. The rule of risk management

- a. The risk management system of the science, the analysis risk of the cautious objective achieves reasonable return.
- b. The enterprise units carry out daily management operation for the risk management structure of the efficiency and set the risk management segment to provide periodic risk management report for the director of board which was the control risk of the efficiency in time. If it found the important exposure risk, it could damage financial and business situation or act on law to adopt proper step in time and report for the director of board.
- c. The business scale, credit risk, market risk, operation risk, and future operation tendency of the Jih Sun holding and its subsidiary for all the risk management function control their capital satisfaction. The all exposure, oneself capital, liabilities characteristics of the Jih Sun holding corporation carry out the investment allocation to control the every investment risk.

B. The risk management system makes use of characteristics

- a. Immediately: The Jih Sun financial holding and its subsidiary's decision process could take place the risk to raise risk prior announcement report, prevent stratagem and avoid method to bring into full play risk management system immediately.
- b. effectively: The Jih Sun financial holding and its subsidiary face suitable risk management procedure, control method and emergent change plan to keep the effective of the risk management system.

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

2. Various kinds of risk consolidated company suffered

(1) Market risk

To operate financial instrument actively and expand the business facing market factor (as interest, stock price and rate of exchange, etc.) change to lead to the unstable of assets price. To set up the science method and market risk management system and conclude management index and set up index limit to evaluate the exposure degree of the market risk effectively.

The Company and subsidiaries internally recognize, measure, control and manage for market risk, in addition to the traditional position authorize quota, loss or income limitation quota, risk index quota (i.e.: Greeks, PVBP, DV01.....). Using the methods of VaR (Value at Risk) to estimate position's exposure. VaR is estimated for the most probable loss resulting form the market price changes at special period and confidence level.

The recognition of Market risk: Market risk estimate model include Interest, FX, Equity, Commodity etc, risk factors.

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

- ◆ Model: mainly according to Monte Carlo simulations model, with option to use the Variance- covariance matrices model or historical simulations model.
- ◆ Method: using EWMA to estimate fluctuation rate.
- ◆ Frequency: update market data every day, with consideration of difference market price factor, and calculate ten days(one-side) VaR with 99% confidence level.

VaR for the fourth season ended 2007 were as follows: (a hundred million)

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

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

2. Credit Risk

To operate financial instrument actively and expand the business facing transaction opponent or credit customer' possible loss or financial worse without carrying out the contract's credit risk. According to the industrial characteristics set up with one accord the evaluated method of the assets quality and classes, compute and control the most exposure, periodic review, lift allowance for loss and reverse. Besides control and collect the credit information of all transaction opponent and credit customers, draw up the credit policy evaluated system and assets dispersed rule, conclude management index to decrease the risk of the breaking a promise and concentrated.

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

	December 31, 2007		December 31, 2006	
	Book Value	Maximum exposure to credit risk	Book Value	Maximum exposure to credit risk
Type of industries				
Financial industries	\$ 4,368,246	3,685,096	121,209,017	4,462,112
Manufacturing industries	1,392,872	1,245,562	65,859,150	32,929,575
Other	163,137,380	104,282,858	180,522,652	132,468,549
Total	\$168,898,498	109,213,516	367,590,819	169,860,236
Geographic location				
Domestic	\$ 164,375,481	104,690,499	358,471,615	166,358,926
Other	4,523,017	4,523,017	9,119,204	3,501,310
Total	\$168,898,498	109,213,516	367,590,819	169,860,236

Financial instruments with off-balance-sheet credit risk

Because the Bank provides loans and issues credit cards, it has substantial credit commitments with most of the credit commitments confined within one year. Commitments credit interest interval 0.03% to 20%. Credit cards interest the most high to 20%. Furthermore, the Bank provides guarantees endorsements and commercial letters of credit as guarantee for clients' obligations to third parties (included in loan commitments).

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

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

	<u>December 31, 2007</u>	<u>December 31, 2006</u>
Loans commitments	\$ 17,609,871	55,571,854
Credit card commitments	60,971,387	68,848,207
Financial guarantee and commercial letter of credit	3,134,899	2,928,775
	<u>\$ 81,716,157</u>	<u>127,348,836</u>

As of December 31, 2007 and 2006, unused loans commitments were \$17,609,871 and \$55,571,854, respectively and unused credit card commitments were \$58,485,061 and \$65,379,285, respectively.

As of December 31, 2007 and 2006, non-cancelable credit limit of unused loans commitments were \$0.

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

When the bank provides loans commitments, financial guarantees, and business credit card, strictly credit approval needs to be provided. Before the bank approved loans, the proper collateral needs to provide. The rate of guarantee loan to total loan is 71.03%. The holding guarantee rate of financial guarantee and business credit letter is between 0% to 100% with average rate of 13.00%. The collaterals for the loan, financial guarantees and business credit letter are cash, inventory, securities or other assets. When the customers default, the bank will execute the right of the collaterals and other guarantee right.

Collateral is not required for credit card loans. Nonetheless, the Bank periodically evaluates the credit of cardholders and adjusts cardholders' credit limits if necessary.

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

3. Liquidity Risk

The notional principals of financial derivatives are used mainly to calculate payables or receivables of parties, rather than the amounts actually paid or received. Actual settlements are generally lower than the amount of notional principals. The financial derivatives held by the Bank are mainly for the foreign currencies denominated contracts which are active trading and the contrary transactions are readily available to offset positions. Therefore, the liquidity risk is deemed low. The bank manages future cash flow with the periodical pricing evaluation.

Due analysis was as follows:

Financial instrument	December 31, 2007			
	Under 1 month		Over 1 month to 3 month	
	Amount	Refund Amount	Amount	Refund Amount
Asset				
Cash and cash equivalents	\$ 6,009,586	6,009,586	-	-
Due from Central Bank and call loans to banks	32,668,387	32,668,387	-	-
Trading purpose financial assets	134,038	134,038	-	-
Receivables	2,489,717	2,489,717	819,577	819,577
Available-for-sale financial assets	398,003	398,003	-	-
Bills and bonds purchased under resell agreements	7,189,533	7,189,533	-	-
Loans (excluding delinquent loans)	1,261,698	1,261,698	13,187,645	13,187,645
Other financial assets (excluding delinquent loans)	70,653	70,653	105,833	105,833
Total	\$ 50,221,615	50,221,615	14,113,055	14,113,055
Liabilities:				
Deposits from Central Bank and other banks	\$ 3,401,415	3,401,415	1,788,492	1,788,492
Trading purpose financial liabilities	23,109	23,109	-	-
Bills and bonds sold under repurchase agreements	73,101	73,101	-	-
Payables	2,123,104	2,123,104	544,858	544,858
Deposits and remittances	87,505,531	87,505,531	34,200,787	34,200,787
Financial debentures	-	-	-	-
Other financial liabilities	-	-	-	-
Total	\$ 93,126,260	93,126,260	36,534,137	36,534,137
Net currency gap	\$ (42,904,645)	(42,904,645)	(22,421,082)	(22,421,082)

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

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

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

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

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

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

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

Financial instrument	December 31, 2007	
	Total	
	Amount	Refund
Asset		
Cash and cash equivalents	\$ 6,009,586	6,009,586
Due from Central Bank and call loans to	32,668,387	32,668,387
Trading purpose financial assets	8,369,812	8,369,812
Receivables	7,814,612	7,814,612
Available-for-sale financial assets	398,003	398,003
Bills and bonds purchased under resell	7,189,533	7,189,533
Loans (excluding delinquent loans)	162,435,873	162,435,873
Other financial assets (excluding delinquent loans)	1,690,344	1,690,344
Total	\$ 226,576,150	226,576,150
Liabilities:		
Deposits from Central Bank and other banks	\$ 15,788,814	15,788,814
Trading purpose financial liabilities	23,109	23,109
Bills and bonds sold under repurchase	73,101	73,101
Payables	4,097,162	4,097,162
Deposits and remittances	202,191,927	202,191,927
Financial debentures	7,000,000	7,000,000
Other financial liabilities	85,500	85,500
Total	\$ 229,259,613	229,259,613
Net currency gap	\$ (2,683,463)	(2,683,463)

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

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

In considering the possibility of future cash flow risk rising from the floating interest rate assets and liabilities due to market interest rate fluctuation, the Bank entered into interest rate swap transactions to hedge against the cash flow risk rising from the market interest rate fluctuation.

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

As of December 31, 2007, the reset and maturity dates are not affected by the contract date. The interest rate risk exposures on assets and liabilities of the Bank were shown below. Non-derivative financial assets and liabilities were presented at book value (prior to deducting evaluation adjustments), derivative financial assets and liabilities were presented at book value allocated to time bands by reference to the earlier of the next interest rate reset date or maturity date (whichever earlier). The financial instruments held or issued by the Bank were as follows:

Financial instrument	December 31, 2007					Total
	0-30 days	31-90 days	91-180 days	181 days-1 year	Over 1 year	
Assets:						
Due from Central Bank, bank deposit and call loans to banks	\$ 35,100,943	500,000	50,000	900,000	-	36,550,943
Trading purpose financial asset	-	-	107,653	250,842	8,011,317	8,369,812
Available-for-sale financial assets	-	-	-	-	398,003	398,003
Loans (excluding delinquent loans)	124,407,614	5,735,500	3,641,138	3,392,669	25,258,952	162,435,873
Short-term advances	635,033	-	-	-	-	635,033
Total	\$160,143,590	6,235,500	3,798,791	4,543,511	33,668,272	208,389,664
Liabilities:						
Deposits and remittances	\$125,446,031	23,178,129	15,944,537	33,602,251	4,020,979	202,191,927
Financial debentures	-	-	-	-	7,000,000	7,000,000
Total	\$125,446,031	23,178,129	15,944,537	33,602,251	11,020,979	209,191,927
Interest sensitive gap	\$ 34,697,559	(16,942,629)	(12,145,746)	(29,058,740)	22,647,293	(802,263)

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

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

As of December 31, 2007 and 2006, the effective interest rate of financial instruments held and issued by the Bank is classified by currency as follows:

<u>Financial instrument item</u>	<u>December 31, 2007</u>	<u>December 31, 2006</u>
Bills and bonds purchase under resell agreements	1.81	1.48
Available-for-sale financial assets (return rate)	2.32	3.07
Held-to-maturity financial assets (include gain or loss on maturity date)	4.45	0.80
Discounted and loans	4.22	4.77
Bills and bonds sold under repurchase agreements	1.73	1.48
Financial debentures	3.67	3.77
Deposits and remittances	1.75	1.56

5. Operation risk (include law risk): The transaction and between information of the Jih Sun financial holding and its subsidiary carry out any things to cause the internal events' operation people to lead to direct risk as system unsuitable, personnel carelessness, control unsuitable and system abnormality etc, or outside events as fraud, the dispute of the customers and the product, operation lawsuit etc, cause indirect risk. To review the internal operation handbook, operation process, information safety sheltered system and meted emergent plan in period or un-period. The process point of all potential possible loss revised suitable system for every process to set up the authority scope of any level people. When the events happen, the effect of the character and relative loss must record. The operation management units collect, analysis and induce loss data to conclude management index and decrease repeat happened risk.

(AC) Transferring of financial assets

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

JH SUN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED 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 Venture Capital Co., Ltd	The investee company under cost method of the Securities.
Yung Sheng Assets Management Co., Ltd.	Real relationship company
Yong Da Investment Co., Ltd.	Real relationship company
Jih Sun educated foundation	Real relationship company
Other related parties	The Company's directors, supervisors, relatives and spouses

(B) Material transactions with related parties:

(a) Deposit

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

<u>Name of Related Party</u>	<u>Ending Balance</u>	<u>Maximum Balance</u>	<u>Interest Revenue</u>	<u>Interest Interval %</u>
December 31, 2006				
Others	<u>\$ 336,675</u>	930,371	<u>6,176</u>	0%~7.27%

(b) Loan

December 31, 2007							
Classification	Amount or Related Party Name	Maximum balance	Ending balance	Agreement		Collateral	Terms of trade different or not with non-related party
				Normal loans	Overdue loans		
Employee consumer loan	-	-	-	-	-	No	NO
Personal house mortgaed loan	26	113,659	92,035	92,035	-	Real estate	NO

<u>Name of Related Party</u>	<u>Ending Balance</u>	<u>Maximum Balance</u>	<u>Interest Revenue</u>	<u>Interest Interval %</u>
Individual	<u>\$ 116,274</u>	<u>150,540</u>	<u>3,072</u>	2.15%-3.36%

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

As of December 31, 2007 and 2006, there was no delinquency in the credit line provided to related parties. Allowance for bad debts was similarly provided as that of general financing and was computed at the rate of 1% of the loan balance. For the related-party credit policy, the Bank follows the requirements under Articles 32, 33, 33-1, 33-2, 33-4, 33-5 of the Banking Law, and does not provide credit loans without collateral. For collateralized loans, the collateral normally consists of a full guarantee, and the terms (including interest rate, collateral and related appraisal, guarantor requirement, loan term, repayment method of principal and interest, etc.) must not be superior to those of other parties for similar types of loan. Financing provided to a related party, which individually or cumulatively amounts to \$100,000 or 1% of the Bank's net worth, whichever is lower, must be presented to the Board of Directors and Supervisors for review. This Board meeting must be attended by two-thirds of the directors and approved by three-fourths of the directors in attendance. The terms and conditions of loans to related parties are not superior to those given to non-related parties.

As of December 31, 2007, there were no off-balance sheet commitments between the Bank and its related parties.

(c) Rental contract

The rental of offices to related parties was as follows:

<u>Name of related party</u>	<u>2007</u>	<u>2006</u>
Yong Da Investment Co., Ltd.	<u>\$ 9,576</u>	<u>9,576</u>

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

<u>Name of related party</u>	<u>2007</u>	<u>2006</u>
Yong Da Investment Co., Ltd.	<u>\$ 2,395</u>	<u>2,395</u>

(d) Others

As of December 31, 2006, Bank sold non-performing loans \$1,457,668 to Yung Sheng Assets Management Co., Ltd., selling price amounted to \$1,300,022 and the related loss amounted to \$157,646.

(6) PLEDGED ASSETS

	<u>December 31,</u>	
	<u>2007</u>	<u>2006</u>
Pledged assets – current (shown in other assets)	\$ 1,496,500	1,919,316
Liabilities of bonds with repurchase agreement	73,101	8,155,949
Available-for-sale financial assets	735,572	764,752
Fixed assets – land	1,259,205	1,259,205
– building (net)	389,112	400,094
Time deposits	14,000	14,000
Total	<u>\$ 3,967,490</u>	<u>12,513,316</u>

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

(7) SIGNIFICANT COMMITMENTS AND CONTINGENCIES

(A) Significant contract of equipment purchase and office renovations

As of December 31, 2007 and 2006, contracts for equipment purchase were approximately \$49,994 and \$269,284, respectively, of which \$13,247 and \$184,152 were not be paid respectively. Additionally, as of September 22, 2007, contracts for office renovations were approximately \$5,512, of which \$1,887 were not be paid shown in “prepayment for equipment”.

(B) Significant lawsuit

1. During 1998, a client of the Company’s Pan Chiao Branch filed a lawsuit against a Company employee for unauthorized stock sale of approximately \$36,149. The Company has applied to the court for sequestration to avoid the loss from employer responsibility. The Company made guarantee deposits of \$14,000 to the court (recorded as guarantee deposits-out) and seized the debtor’s assets.
2. The Company acted as the co-underwriter for Jeng-Yih Company’s application for government approval to trade over the counter. Subsequently, Jeng-Yih Company stopped trading over the counter because of a significant amount of notes unpaid. Therefore, the investors have sued the directors and supervisors, the independent auditors, and the underwriters of Jeng-Yih Company for total damages of \$71,017. The litigation procedure is currently in process.
3. As of December 31, 2007 and 2006, the Company had applied to the court for provisional seizure in connection with protection of its rights related to collateral on defaulted securities transactions. Therefore, the Company made guarantee deposits of \$8,984 and \$8,817, respectively (recorded as guarantee deposit-out) and seized the debtor’s assets.
4. Three customers of the Tai-Chung Branch alleged that a former employee at the Tai-Chung Branch had sold their stock without permission, and stolen their bank savings. Therefore, the client requested the Company to be responsible jointly and claimed for \$82,757 with interest. The litigation procedure is in process. Except the case that client Yang sued the Company for \$26,890 was a controversial issue, the other two clients’ claim in the early part should be considered a debt dispute between the client and the employee, and the Company should not be responsible for any compensation liability.
5. The company had applied to the court to its customer, Mr. Yang and Mr. Lin for requesting them to payback the financing debt resulting from purchasing stocks, amounting of \$9,902 and interest related. The litigation procedure is still in process.
6. The customer of Xin-Yi branch alleged that the employee did not follow the instruction to buy or sell stock, so the client requested the company to pay \$13,732 about a loss. The claim in the early part should be considered a debt dispute between the client and the employee, and the company should not be responsible for any compensation liability.

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

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

	2007.12.31	2006.12.31
Acted as an agent for various collections	\$ 612,662	519,954
Entrusted with the sale of U.S dollar traveler's checks	\$ 147,382	182,217
Handled several guarantees (including joint handling of foreign exchange transactions)	\$ 2,426,958	3,999,540
Outstanding bank acceptance liabilities	\$ 391,230	482,345
Letters of credit	\$ 2,058,048	1,043,045
Acted as custodian of post-dated checks for its clients (excluding next day's checks for clearing)	\$ 16,034,591	26,342,934
Direct credit guarantees	\$ 83,775	83,775
Guarantee letters for financial guarantees of loans and securities (commercial paper)	\$ 992,000	1,885,731
Performance bonds	\$ 1,116,020	1,314,647
Guarantee letters issued for specified transactions	\$ 1,351,183	2,030,034

(D) Company held client-owned stocks

As of December 31, 2007 and 2006, in connection with its securities financing activities, the Company held client-owned stocks which amounted to approximately 1,142,461,320 shares and 1,110,583,060 shares, respectively; stocks loaned out to clients amounted to approximately 28,668,000 shares and 63,697,000 shares, respectively, for which the Company received guarantee deposits in full from the clients.

(E) As of December 31, 2007, the Company and subsidiaries paid rent on a monthly or quarterly basis according to the rental contract. The estimated future rent payable and accrued interest on deposits treated as rent for the next five years were as follows:

Year	Rent payable
1.1.2008 ~ 12.31.2008	\$ 226,864
1.1.2009 ~ 12.31.2009	170,550
1.1.2010 ~ 12.31.2010	121,675
1.1.2011 ~ 12.31.2011	51,947
1.1.2012 ~ 12.31.2012	28,799
Total	\$ 599,835

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

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

(G) As required by the Trust Business Law Enforcement Rules, Articles No. 17, the balance sheet and the property list of trust account were as follows:

TRUST BALANCE SHEET

<u>Trust Assets</u>	<u>December 31, 2007</u>	<u>December 31, 2006</u>
Cash in Bank	\$ 411,897	1,199,825
Bonds	18,079,395	12,226,444
Securities	3,132,660	1,035,894
Funds	17,013,985	13,618,560
Real Estate-net		
Land of the principal	4,502,501	5,727,668
Principal house and building	192,300	132,338
Construction in process of the principal	1,497,237	3,296,866
Monetary obligation trust	2,264,986	3,353,108
Other assets	13,686	-
Total Trust Assets	\$ 47,108,647	40,590,703
<u>Trust Liabilities</u>		
Payables	\$ 135,800	-
Other Liabilities	1,173	-
Advance revenues	956	-
Trust Capital		
Monetry trust	35,302,923	27,044,829
Securities trust	3,067,994	1,035,894
Real estate trust	6,165,227	9,156,872
Monetry obligation and real right of pledge	2,418,363	3,353,108
Reserves and accumulated losses		
The principal adds up to the profit and loss	(3,104,459)	-
Net income for the period	3,120,670	-
Total Trust Liabilities	\$ 47,108,647	40,590,703

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

TRUST PROPERTY LIST

<u>Investment Item</u>	<u>December 31, 2007</u>	<u>December 31, 2006</u>
Bonds	\$ 18,079,395	12,226,444
Securities	3,132,660	1,035,894
Funds	17,013,985	13,618,560
Cash in Bank	411,897	1,199,825
Monetary obligation trust	2,264,986	3,353,108
Real Estate-net		
Land of the principal	4,502,501	5,727,668
Principal house and building	192,300	132,338
Construction in process of the principal	1,497,237	3,296,866
Other assets	13,686	-
Total	<u>\$ 47,108,647</u>	<u>40,590,703</u>

TRUST INCOME STATEMENT
For the year 2007

<u>Investment Item</u>	<u>Amount</u>
Trust revenues	
Principal interest income	\$ 2,866
Principal rent income	9,621
Principal cash dividend	2,033,983
Gain on sales of property	1,706,314
Trust expenses	
Principal administration expenses	143,099
Principal tax expenses	3,410
Principal interest expenses	21
Loss on sales of property	483,786
Principal income tax expenses	1,798
Total	<u>\$ 3,120,670</u>

(8) SIGNIFICANT CATASTROPHIC LOSSES:NONE

(9) SUBSEQUENT EVENTS:NONE

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

(10) OTHER

(A) The Company's personnel, depreciation, depletion, and amortization expenses were as follows:

Function Nature	2007	2006
	Operating Expenses	Operating Expenses
Personnel Expenses		
Salaries and Wages	\$ 3,497,060	3,633,425
Insurance	217,766	234,017
Pension Expenses	184,798	188,146
Other Personnel Expenses	151,350	141,457
Subtotal of Personnel Expenses	4,050,974	4,197,045
Depreciation Expenses	474,494	484,698
Depletion Expenses	330,525	331,758
Amortization Expenses	129,635	109,633

(B) Capital Adequacy Ratio:

Company Items	Holding ratio of Financial holding company	2007.12.31		2006.12.31	
		Qualified capital	Legal reserve needed	Qualified capital	Legal reserve needed
JIH SUN Financial holding company	100%	27,582,278	31,483,233	27,726,243	31,131,990
JIH SUN International bank	100%	14,609,791	13,356,067	16,397,579	14,515,447
JIH SUN Securities company	100%	13,279,912	5,174,724	11,868,546	6,145,460
Other subsidiaries	100%	5,702	3,817	10,183	7,860
Items to be deducted	-	32,106,296	30,850,687	32,729,807	30,845,352
Subtotal		23,371,387	19,167,154	23,272,744	20,955,405
Capital Adequacy Ratio			121.93		111.06

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

(C) Financial holding company qualified capital

Items	2007.12.31	2006.12.31
Common stocks	21,707,754	33,961,303
Perpetual non-cumulative preferred shares and non-cumulative subordinated noted without a maturity date	-	-
Other preferred stock and subordinated debentures	6,416,741	8,666,667
Capital collected in advance	-	-
Legal reserve	-	-
Special reserve	-	-
Capital surplus	-	1,670,054
Accumulated deficit	(320,358)	(15,366,125)
Equity adjustments	(217,852)	(173)
Less : Goodwill	-	-
Less: Deferred assets	4,007	3,902
Less : Treasury stocks	-	1,201,581
Total	27,582,278	27,726,243

(D) As required by Financial Holding Companies Law, Article No.46, the loans guarantee and other transaction amount and ratio as percentage of net assets to the same person, the same related party and the same related company as of December 31, 2007 were as follows:

Name	Loans authorization, guarantee and other transaction amount	% of net worth of the bank
Polaris Group	2,778	10.87%
Far East Group	2,391	9.36%
Hontai Group	5,374	21.02%
Elenset Group	1,614	6.32%
Shinkong Group	9,796	38.32%
Hua Nan Financial Holding Group	1,759	6.88%
Fubon Group	10,502	41.06%
President Group	6,891	26.95%
First Financial Holding Group	1,918	7.50%
Cathay Financial Holding Group	3,508	13.72%
Kinpo Group	2,882	11.27%
Chi Mei Group	1,421	5.56%
Yuen Foong Financial Holding Group	6,035	23.60%
Yuen Foong Paper Group	4,648	18.18%
Orix Taiwan Group	1,507	5.90%
Formosa Plastic Group	5,290	20.69%
Tainan Spinning Group	1,369	5.35%

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

Name	Loans authorization, guarantee and other transaction amount	% of net worth of the bank
Yuanta Financial Holding Group	2,636	10.30%
China Development Financial Holding Group	4,457	17.43%
Chinatrust Financial Holding Group	12,592	49.23%
Tatung Group	1,683	6.58%
Standard Chartered Bank	9,508	37.19%
Taiwan High Speed Rail Co.	2,986	11.68%
RSEA Engineering Corporation	2,400	9.39%
Deutsche Bank.A.G	3,461	13.54%
Bank of Taiwan Co., Ltd	2,700	10.56%
Taitea Enterprise Co., Ltd	1,719	6.72%
Polaris Securities Co., Ltd	2,600	10.17%
DAH CHUNG Bills Finance Co.	2,180	8.53%
Capital securities	5,100	19.95%
Taishin International	5,168	20.21%
Taiwan Shin Kong Bank	1,876	7.34%
Hua Nan Bills Finance Co.	1,650	6.45%
Taipeifubon Commercial	9,803	38.34%
Grand Bills Finance Co.	2,352	9.20%
Uni-President Securities	3,900	15.25%
First Bank	1,810	7.08%
Cathay United Bank	3,000	11.73%
Toppoly Optoelectronics CO.	1,331	5.21%
City Bank	2,000	7.82%
Mega Bills Finance Co.	3,800	14.86%
Mega Securities Co.	1,500	5.87%
Mega International	3,125	12.22%
Formosa Petrochemical Corporation	2,063	8.07%
Nan Ya Technology Co.	1,542	6.03%
Yuanta Bank	1,824	7.13%
China Development Industrial Bank	3,418	13.37%
Chinatrust Commercial Bank, Ltd	7,362	28.79%
KGI Securities Co.	3,000	11.73%

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

(E) Functional financial information:

2007						
Item	Consumer Financial Service	Corporate Financial Service	Investment Management service	Wealth Management service	Cost Center	Total
Net interest income	\$ 1,899,448	1,055,413	111,118	2,577,377	(184,613)	5,458,743
Non-interest income	347,025	732,208	811,848	5,745,672	(74,362)	7,562,391
Net Revenues	2,246,473	1,787,621	922,966	8,323,049	(258,975)	13,021,134
Bad debts	3,291,788	1,653,134	-	-	-	4,944,922
Insurance duty reserve	-	-	-	-	-	-
Operating Expenses	1,249,552	866,165	694,816	4,666,863	466,873	7,944,269
Net income (loss) before tax from continuing operations	(2,294,867)	(731,678)	228,150	3,656,186	(725,848)	131,943
Income tax (benefit) expense	(1,024,092)	(326,514)	101,813	1,631,585	(323,912)	58,880
Net income (loss) after tax from continuing operations	(1,270,775)	(405,164)	126,337	2,024,601	(401,936)	73,063
2006						
Item	Consumer Financial Service	Corporate financial Service	Investment Management service	Wealth Management service	Cost Center	Total
Net interest income	\$ 5,150,925	3,533,764	746,565	(2,933,305)	1,089,640	7,587,589
Non-interest income	(1,640,678)	(1,638,131)	(209,040)	8,697,946	(12,544,218)	(7,334,121)
Net Revenues	3,510,247	1,895,633	537,525	5,764,641	(11,454,578)	253,468
Bad debts	4,518,241	515,738	-	-	-	5,033,979
Insurance duty reserve	-	-	-	-	-	-
Operating Expenses	1,268,966	912,102	609,151	3,678,105	1,819,636	8,287,960
Net income (loss) before tax from continuing operations	(2,276,960)	467,793	(71,626)	2,086,536	(13,274,214)	(13,068,471)
Income tax (benefit) expense	5,284	(1,085)	166	(4,842)	30,802	30,325
Net income (loss) after tax from continuing operations	(2,282,244)	468,878	(71,792)	2,091,378	(13,305,016)	(13,098,796)

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

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

(a) Balance sheets:

Assets	December 31, 2007	December 31, 2006
Cash and cash equivalents	\$ 2,873,961	2,950,814
Receivables – net	831,529	480,533
Investments under the equity method – net	30,850,687	30,845,352
Properties and equipments – net	5,484	7,634
Other assets – net	6,597	6,567
Total Assets	\$ 34,568,258	34,290,900
Liabilities and stockholders' equity		
Payables	\$ 963,002	544,121
Subordinated debentures and bonds payable	8,000,000	8,000,000
Accrued pension liabilities	18,971	16,633
Total Liabilities	8,981,973	8,560,754
Stock		
Common stock	21,707,754	33,961,303
Preferred stock	4,416,740	6,666,667
Capital surplus	-	1,670,054
Accumulated deficit	(320,358)	(15,366,125)
Other items of stockholders' equity		
Cumulative translation adjustments	(110,996)	(99,258)
Net loss not recognized as pension costs	(9,172)	(9,950)
Unrealized (loss) gain from available-for-sale financial assets	(97,683)	109,035
Treasury stock	-	(1,201,580)
Total stockholders' equity	25,586,285	25,730,146
Total liabilities and stockholders' equity	\$ 34,568,258	34,290,900

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

(b) Statements of income:

	2007	2006
Revenues		
Investment income under the equity method	\$ 253,292	-
Other revenues	65,004	64,476
	<u>318,296</u>	<u>64,476</u>
Investment loss under the equity method	-	12,472,122
Operating Expenses	182,409	215,243
Other expenses and losses	66,225	68,010
	<u>248,634</u>	<u>12,755,375</u>
Net income (loss) before income tax	69,662	(12,690,899)
Income tax expense	(30)	(8,559)
Net income (loss) after income tax	<u>\$ 69,632</u>	<u>(12,699,458)</u>
EPS before tax (NT dollar)	<u>\$ 0.03</u>	<u>(4.32)</u>
EPS after tax (NT dollar)	<u>\$ 0.03</u>	<u>(4.32)</u>
Loss per share –retroactive adjustment (before tax)(NT dollar)	\$ -	(6.51)
Loss per share- retroactive adjustment (after tax)(NT dollar)	\$ -	(6.52)
Diluted EPS(before tax)(NT dollar)	<u>\$ 0.03</u>	<u>-</u>
Diluted EPS(after tax)(NT dollar)	<u>\$ 0.03</u>	<u>-</u>

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

(c) Statements of changes in stockholders' equity:

Item	Capital stock		Capital Surplus				Equity adjustment					Total
	Common stock	Preferred stock	Additional paid-in capital	Treasury stock	Long-term investments	Accumulated deficit	Unrealized loss on available-for-sale financial assets	Cumulative translation adjustments	Net loss not recognized as pension cost	Treasury stock		
Balance, January 1, 2006	\$ 22,532,732	-	9,477,820	15,419	-	(4,394,614)	-	(85,205)	(17,218)	(1,201,580)	26,327,354	
Capital surplus against accumulated deficit	-	-	(4,394,614)	-	-	4,394,614	-	-	-	-	-	
Capital increase by cash - common stock	11,428,571	-	(3,428,571)	-	-	-	-	-	-	-	8,000,000	
Capital increase by cash - preferred stock	-	6,666,667	-	-	-	(2,666,667)	-	-	-	-	4,000,000	
Net loss for 2006	-	-	-	-	-	(12,699,458)	-	-	-	-	(12,699,458)	
Recognition of translation adjustment of subsidiaries	-	-	-	-	-	-	-	(14,053)	-	-	(14,053)	
Net loss not recognized as pension cost	-	-	-	-	-	-	-	-	7,268	-	7,268	
Recognition of unrealized gains on available-for-sale financial assets of subsidiaries	-	-	-	-	-	-	109,035	-	-	-	109,035	
Ending balance - December 31, 2006	\$ 33,961,303	6,666,667	1,654,635	15,419	-	(15,366,125)	109,035	(99,258)	(9,950)	(1,201,580)	25,730,146	
Balance, January 1, 2007	\$ 33,961,303	6,666,667	1,654,635	15,419	-	(15,366,125)	109,035	(99,258)	(9,950)	(1,201,580)	25,730,146	
Net income for 2007	-	-	-	-	-	69,632	-	-	-	-	69,632	
Recognition of translation adjustment of subsidiaries	-	-	-	-	-	-	-	(11,738)	-	-	(11,738)	
Capital surplus against accumulated deficit	-	-	(1,654,635)	-	-	1,654,635	-	-	-	-	-	
Capital stock against deficit	(11,461,563)	(2,249,927)	-	-	-	13,711,490	-	-	-	-	-	
Recognition of unrealized gains on available-for-sale financial assets of subsidiaries	-	-	-	-	-	-	(206,718)	-	-	-	(206,718)	
Adjustment of net loss not recognized as pension cost	-	-	-	-	-	-	-	-	778	-	778	
Treasury stock transferred to employees	-	-	-	(375)	-	-	-	-	-	4,560	4,185	
Refirement of treasury stock	(791,986)	-	-	(15,044)	-	(389,990)	-	-	-	1,197,020	-	
Ending balance - December 31, 2007	\$ 21,707,754	4,416,740	-	-	-	(320,358)	(97,683)	(110,996)	(9,172)	-	25,586,285	

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

(d) Statements of cash flows:

	<u>December 31,2007</u>		<u>December 31,2006</u>	
	<u>Subtotal</u>	<u>Total</u>	<u>Subtotal</u>	<u>Total</u>
Cash flow from operating activities:				
Net income (loss)	\$ 69,632		(12,699,458)	
Depreciation and amortization expenses	2,857		3,234	
Investment income (loss) from under the equity method	(253,292)		12,472,122	
Cash dividend under the equity method	1,029,500		1,031,740	
Changes in operating assets				
Increase in receivables	(350,996)		(329,494)	
Increase in other assets	(854)		(1,316)	
Changes in operating liabilities				
Increase in accounts payable	419,528		393,049	
Increase in accrued pension liabilities	2,587		3,004	
Decrease in other liabilities	-		(1,139)	
Net cash provided by operating activities:		<u>918,962</u>		<u>871,742</u>
Cash flow from investing activities:				
Long-term investment	(1,000,000)		(12,000,000)	
Acquisition of property and equipment	-		(2,055)	
Net cash flow used in investing activities		<u>(1,000,000)</u>		<u>(12,002,055)</u>
Cash flow from financing activities				
Treasury stock transferred to employees	4,185		-	
Capital increase by cash	-		12,000,000	
Net cash provided by financing activities		<u>4,185</u>		<u>12,000,000</u>
Net (decrease) increase in cash and cash equivalents		(76,853)		869,687
Cash and cash equivalents, beginning of the period		<u>2,950,814</u>		<u>2,081,127</u>
Cash and cash equivalents, end of the period		<u>2,873,961</u>		<u>2,950,814</u>
Supplemental disclosures of cash flow information:				
Interest paid during the year		<u>66,022</u>		<u>66,000</u>
Income taxes paid during the year		<u>6,063</u>		<u>5,312</u>
Changes in net loss not recognized as pension cost		<u>(778)</u>		<u>(7,268)</u>

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

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

(a) Jih Sun International Bank Ltd.:

1. Condensed balance sheets

Assets	December 31, 2007	December 31, 2006
Cash and cash equivalents	\$ 6,009,586	7,662,142
Due from Central Bank and call loans to banks	32,668,387	23,610,536
Financial assets measured at fair value through profit or loss	8,369,812	16,778,122
Bills and bonds purchased under resell agreements	7,189,533	5,662,964
Receivables—net	7,814,612	9,788,176
Discounted and loans—net	166,902,058	178,294,329
Available-for-sale financial assets—net	398,003	2,473,475
Held-to-maturity financial assets—net	-	478,796
Investments under the equity method—net	17,184	27,130
Other financial assets—net	1,833,978	2,179,772
Property and equipments—net	5,168,013	5,428,392
Intangible assets	1,185,480	1,424,672
Other assets—net	3,183,159	3,708,391
Total Assets	\$ 240,739,805	257,516,897
Liabilities and stockholders' equity		
Deposits from Central Bank and other banks	\$ 15,788,814	20,438,892
Financial liabilities measured at fair value through profit or loss	23,109	30,479
Liabilities for bills and bonds sold under repurchase agreements	73,101	8,155,949
Payables	4,097,162	4,575,686
Deposits and remittances	202,191,927	200,235,690
Financial debentures	7,000,000	11,000,000
Other financial liabilities	85,500	86,400
Other liabilities	1,017,788	935,421
Total Liabilities	230,277,401	245,458,517
Common stock	15,180,587	14,180,587
Accumulated deficit	(4,629,682)	(2,237,591)
Other items of stockholders' equity	(88,501)	115,384
Total stockholders' equity	10,462,404	12,058,380
Total liabilities and stockholders' equity	\$ 240,739,805	257,516,897

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

2. Condensed statements of income

	December 31, 2007	December 31, 2006
Net interest income	\$ 3,976,281	5,614,773
Non-interest income	1,972,017	(10,480,966)
Net Revenues	<u>5,948,298</u>	<u>(4,866,193)</u>
Provisions for allowances and reserves	4,944,922	5,033,979
Operating Expenses	4,083,791	4,535,837
Net loss before tax	\$ (3,080,415)	(14,436,009)
Cumulative effect of changes in accounting principles	\$ -	62,988
Net loss after tax	\$ (2,392,091)	(13,958,332)
EPS before tax (NT dollar)	\$ (2.06)	(8.27)
EPS after tax (NT dollar)	\$ (1.60)	(8.04)

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

1. Condensed balance sheets

Assets	December 31, 2007	December 31, 2006
Current Assets	\$ 46,672,080	55,743,697
Fund and Investment	4,256,894	4,062,755
Property and equipments	2,031,608	2,105,013
Intangible Assets	86,225	119,870
Other assets	1,579,672	1,715,337
Securities brokerage debit accounts - net	1,263,196	27,923
Total Assets	\$ 55,889,675	63,774,595
Liabilities and stockholders' equity	\$ 29,996,338	
Current liabilities		43,463,763
Long-term liabilities	5,195,959	1,000,000
Other liabilities	344,797	534,043
Total Liabilities	<u>35,507,094</u>	<u>44,997,806</u>
Stock	11,572,127	11,572,127
Capital Surplus	1,298,456	1,298,456
Retained earnings	7,536,382	5,916,018
Other items of stockholders' equity	(24,384)	(9,812)
Total stockholders' equity	<u>20,382,581</u>	<u>18,776,789</u>
Total liabilities and stockholders' equity	\$ 55,889,675	63,774,595

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

2. Condensed statements of income

	December 31, 2007	December 31, 2006
Net Revenues	\$ 9,434,836	7,512,415
Expenses	6,072,952	5,974,980
Net income before tax	\$ 3,361,884	1,537,435
Cumulative effect of changes in accounting principles	\$ -	339,566
Net income after tax	\$ 2,663,231	1,498,879
EPS before tax (NT dollar)	\$ 2.91	1.62
EPS after tax (NT dollar)	\$ 2.30	1.30

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

1. Condensed balance sheets

Assets	December 31, 2007	December 31, 2006
Current Assets	\$ 7,247	14,659
Property and equipments	191	81
Other assets	195	195
Total Assets	\$ 7,633	14,935
Liabilities and stockholders' equity		
Current liabilities	\$ 1,931	4,752
Total Liabilities	\$ 1,931	4,752
Stock	\$ 3,000	3,000
Retained earnings	2,702	7,183
Total stockholders' equity	5,702	10,183
Total liabilities and stockholders' equity	\$ 7,633	14,935

2. Condensed statements of income

	December 31, 2007	December 31, 2006
Gross sales	\$ 12,836	22,476
Cost of goods sold	8,027	10,685
Gross Profit	4,809	11,791
Operating expenses	2,904	2,743
non-operating revenue and income	281	28
Net income before tax	\$ 2,186	9,076
Net income after tax	\$ 1,650	6,812
EPS before tax (NT dollar)	\$ 7.29	30.25
EPS after tax (NT dollar)	\$ 5.50	22.71

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

(H) Profitability:

(a) Profitability of consolidated company

Unit: %

Item	December 31, 2007	December 31, 2006
Consolidated return on total assets (Before tax)	0.04	(3.84)
Consolidated return on total assets (After tax)	0.02	(3.85)
Consolidated return on equity (Before tax)	0.51	(48.63)
Consolidated return on equity (After tax)	0.28	(48.74)
Consolidated net income ratio	0.53	(5,008.94)

(b) Profitability of Financial Holding Company

Unit: %

Item	December 31, 2007	December 31, 2006
Return on total assets (Before tax)	0.20	(36.90)
Return on total assets (After tax)	0.20	(36.92)
Return on equity (Before tax)	0.27	(48.76)
Return on equity (After tax)	0.27	(48.79)
Net income ratio	21.88	(19,696.41)

(c) Profitability of Jih Sun Securities Co.

Unit: %

Item	December 31, 2007	December 31, 2006
Return on total assets (Before tax)	5.62	3.15
Return on total assets (After tax)	4.45	2.52
Return on equity (Before tax)	17.17	10.11
Return on equity (After tax)	13.60	8.08
Net income ratio	39.32	29.06

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

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

(I) Loans asset quality, concentrations of credit risk, loan and advance loss, and loan loss provision policy:

(a) Loans asset quality

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

Business/Project		December 31, 2006					
		Overdue loans	Total loan amount	Overdue loans rate	Allowance for bad debts	Coverage rate of allowance for bad debts	
Corporate finance	Guarantee	1,668,757	38,695,964	4.31%	456,976	27.38%	
	Non-Guarantee	1,387,222	49,967,213	2.78%	711,906	51.32%	
Consumer finance	Home mortgage	915,569	63,790,874	1.44%	142,737	15.59%	
	Cash card	-	-	-	-	-	
	Small credit loan	3,978,363	12,971,844	30.67%	1,315,170	33.06%	
	Other	Guarantee	365,237	7,135,342	5.12%	29,399	8.05%
		Non-Guarantee	1,421,853	9,052,149	15.71%	662,869	46.62%
Total Loan		9,737,001	181,613,386	5.36%	3,319,057	34.09%	
		Overdue accounts	Receivables	Overdue accounts rate	Allowance for bad debts	Coverage rate of allowance for bad debts	
Credit card		191,349	4,990,255	3.83%	109,865	57.42%	
Factoring receivables - without recou		-	1,029,056	-	-	-	

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

- (b) As of December 31, 2007 and 2006, there were certain concentrations of loan authorization risk as follows:

December 31, 2007			
Rank	Conglomerate's name	Loans authorization amount	% of net worth of the Bank
1	FORMOSA PLASTICS	2,932,008	28.02%
2	KINPO GROUP	2,258,744	21.59%
3	ELANSAT	1,614,002	15.43%
4	CHINATRUST FINANCIAL HOLDING	1,543,466	14.75%
5	ORIX	1,481,717	14.16%
6	TAINAN SPINNING	1,368,693	13.08%
7	TATUNG	1,313,032	12.55%
8	CHI MEI	1,283,771	12.27%
9	HANSHIN	1,230,488	11.76%
10	YUNG CHIN CONSTRUCTION	1,214,392	11.61%

December 31, 2006			
Rank	Conglomerate's name	Loans authorization amount	% of net worth of the Bank
1	WALSIN LIHWA	2,143,909	17.78%
2	FORMOSA PLASTICS	2,013,018	16.69%
3	ORIX	1,842,864	15.28%
4	KINPO GROUP	1,573,649	13.05%
5	COLONY	1,555,074	12.90%
6	CHINA DEVELOPMENT	1,404,345	11.65%
7	HANSHIN	1,393,346	11.56%
8	TATUNG	1,343,990	11.15%
9	CHINA TRUST FINANCIAL HOLDING	1,319,749	10.94%
10	WEI JING	1,104,246	9.16%

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

	December 31, 2007		December 31, 2006	
	Average amount	Average rate(%)	Average amount	Average rate(%)
Interest-earning assets	\$ 213,467,899	4.02	234,275,955	4.19
Interest-bearing liabilities	219,601,126	1.84	252,421,996	1.72

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

(d) Interest rate sensitivity information

Interest rate sensitive assets and liabilities analysis sheet(NTD)					
Unit: %					
Item	1- 90 day	91 – 180 day	181day – 1 year	Over 1 year	Total
Interest rate sensitive assets	\$159,633,875	2,488,132	4,439,473	31,732,759	198,294,239
Interest rate sensitive liabilities	101,973,965	60,678,631	32,164,738	11,016,170	205,833,504
Interest sensitivity gap	57,659,910	(58,190,499)	(27,725,265)	20,716,589	(7,539,265)
Net value	-	-	-	10,234,921	10,234,921
Interest-rate-sensitive asset to interest rate sensitive liability ratio					96.34
Interest rate sensitivity gap to net value ratio					(73.66)

Interest rate sensitive assets and liabilities analysis sheet(USD)					
Unit: in USD 1,000; %					
Item	1- 90 day	91 – 180 day	181day – 1 year	Over 1 year	Total
Interest rate sensitive assets	\$ 299,802	45,114	2,808	31,053	378,777
Interest rate sensitive liabilities	126,960	183,074	39,058	148	349,240
Interest sensitivity gap	172,842	(137,960)	(36,250)	30,905	29,537
Net value	-	-	-	6,356	6,356
Interest-rate-sensitive asset to interest rate sensitive liability ratio					108.46
Interest rate sensitivity gap to net value ratio					464.71

(e) Main Foreign Currency Net Position

Foreign Currency Amount	December 31, 2007		December 31, 2006	
	Currency	NTD	Currency	NTD
	1. USD	(202,281)	1. JPY	(337,523)
	2. JPY	21,871	2. USD	196,867
	3. EUR	(4,655)	3. EUR	(164,772)
	4. AUD	3,098	4. GBP	(86,456)
	5. SGD	1,004	5. CAD	34,935

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

1. Profitability:

Item	Unit: %	
	December 31, 2007	December 31, 2006
Return on total assets (Before tax)	(1.24)	(5.33)
Return on total assets (After tax)	(0.96)	(5.17)
Return on equity (Before tax)	(27.36)	(111.22)
Return on equity (After tax)	(21.24)	(108.02)
Net income ratio	(40.21)	(288.14)

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

2. Maturity analysis of assets and liabilities:

NTD Maturity analysis						
	Total	Within 1 month	Over 1 month to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 years
Assets	\$223,727,755	48,325,083	7,532,121	6,518,176	8,816,255	152,536,120
Liabilities	240,257,637	24,751,542	34,240,848	24,924,147	64,436,354	91,904,746
Gap-to-net	(16,529,882)	23,573,541	(26,708,727)	(18,405,971)	(55,620,099)	60,631,374

USD Maturity analysis						
Unit: in USD 1,000						
	Total	Within 1 month	Over 1 month to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 years
Assets	\$ 483,814	276,357	32,959	48,176	3,773	122,549
Liabilities	513,672	117,152	64,932	34,110	70,489	226,989
Gap-to-net	(29,858)	159,205	(31,973)	14,066	(66,716)	(104,440)

(J) Special matters:

	Description and amount
Within one year, any fine was levied for violations of the Banking Law.	One of the district managers processed certain loans with inappropriate procedures. Which violated the section 1-1 of article 45 of the Banking law, and levied for \$2 million dollars.
Within one year, any deficiency for which an official reprimand was issued by Ministry of Finance.	None
Within one year, the individual or aggregated loss exceeded NT\$50 million dollars, resulted from employee corruption, accidental material events, or failure to follow the "Guidelines for the Security Maintenance of Financial Institutions".	None
Within one year, the chairman of the board of directors or employee who violated the law in the course of business, resulting in an indictment by the prosecutor.	One of the former employee of the personnel financing department was suspected having fraudulence and misappropriation behavior and indicted by the prosecutor in the Taipei District Court Prosecutors Bureau.
Within one year, any fine was levied by governmental authority for violations of the related regulation.	As of February 16, 2007, the bank violated the article 24 of the Fair Trade law and was fined by the Fair Trade Commission, amounting of \$1 million dollars.
Others	None

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

(K) Capital adequacy:

Items		December 31, 2007	June 30, 2007
Own Capital	The first tier capital	\$ 12,490,324	11,347,444
	The second tier capital	2,119,467	5,096,789
	The third tier capital	-	-
	Total Capital	14,609,791	16,444,233
Credit risks	Standard	149,293,293	148,766,729
	Internal evaluation	-	-
	Securitisation of the assets	-	-
Operation Risk	Basic index	13,391,800	14,488,643
	Standard or alternative standard	-	-
	Advance evaluation	-	-
Market risk	Standard	4,265,749	5,586,733
	Internal model	-	-
Total weighted risk assets		166,950,842	168,842,104
Capital adequacy ratio		8.75%	9.74%
The first class capital to weighted risk assets		7.48%	6.72%
The second class capital to weighted risk assets		1.27%	3.05%
The third class capital to weighted risk assets		- %	- %
Common stock to total assets ratio		6.31%	5.51%

Item	December 31, 2006
Own Capital	\$ 16,397,579
Risk assets	181,443,086
Capital adequacy ratio	9.04%
The first class capital to weight risk assets ratio	6.63%
The second class capital to weight risk assets	3.09%
The third class capital to weight risk assets ratio	-
Common stock to total assets ratio	4.68%

(L) The information of the Company and its subsidiaries' transactions, operations development and using operating equipment or place were as follows:

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

1. The Company paid securities registration and service fee (include computer printing fee) to the Securities were \$14,706 and \$14,235 in 2007 and 2006, respectively. The Company's balance of deposit in the Bank were \$2,498,319 and \$2,950,778 in 2007 and 2006, respectively. The top line balance were \$5,308,189 and \$13,433,545 in 2007 and 2006, respectively. Interest revenue were \$52,403 and \$47,642 in 2007 and 2006, respectively.

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

2. The Securities charged to the Bank:

	2007	2006
Handling charges – dealers	\$ 2,746	4,165
Rental revenue	17,421	17,009
Securities registration and service fee	660	480
Revenue from management fee allocated	163,687	125,979
Revenue from water and electricity expenses allocated	2,934	3,265
Financial expenses	1,669	304

3. The Securities leased to the Bank for sale hall, it was charged the deposit were as follow:

	2007	2006
Guarantee deposits paid	\$ 4,042	4,405

4. The Securities' balance of repurchase and resale transactions of bonds and related interest expense and income for the Bank in 2006 and 2005:

	2007		2006	
	Interest expense	Ending balance	Interest expense	Ending balance
Liabilities of bonds with repurchase agreements	\$ 3,253	493,219	67	-

	2007		2006	
	Interest revenue	Ending balance	Interest revenue	Ending balance
Investment of bonds with resale agreements	\$ 5,708	-	36,002	2,149,391

5. The Securities' balance of deposit in the Bank were \$1,657,316 and \$ \$524,875 in 2007 and 2006. The top line balance were \$6,671,282 and \$1,624,992 in 2007 and 2006. Interest revenue were \$10,853 and \$3,402 in 2007 and 2006.
6. As of December 31, 2007 and 2006, The Banks' shareholders' meeting resolved guarantee loans amounted to 1,100 million, loaning amounted to \$460,000 and \$1,000,000 in 2007 and 2006, respectively. As of December 31, 2007 and 2006, the Securities pledged securities and time deposits amounted to \$735,572 and \$750,210, respectively.

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

7. The Bank charged to the Securities:

	2007	2006
Rental revenue	\$ 8,036	6,542

8. As of December 31, 2007 the bank sells a batch property which book value was \$5 to Jih Sun Financial Holding Co., Ltd for \$11, and gain on sale was for \$6.

9. As of December 31, 2007 the bank sold a batch property which book value was \$2,966 to Jih Sun Securities Co., Ltd for \$1,678, and gain on sale was for \$1,288.

10. As of December 31, 2007 the bank sold the available-for-sale bonds to Jih Sun Securities Co., Ltd. amounted to \$1,865,456.

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

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

2. Paid with fixed amount.

(M) Jih Sun Securities Co., Ltd, after signing a contract made on December 22, 2005, assigned the tender offer of \$67,011 made by Network Securities Co., Ltd, assigned total operation right and assets on July 20,2006. The shareholders' meeting on December 12, 2005 and the board meeting on June 12, 2006 were adopted, and it obtained the approval letter from Financial Supervisory Commission, Executive Yuan at June 12, 2006, with the issuing number of FSC (6) 0950122485, changed to adopt the generally accepted accounting principles in the Republic of China. As June 21, 2006, the company adopted the base date on July 24, 2006.

(N) Reclassification

The 2006 financial statements were reclassified for the presentation of 2007 financial statements. These reclassification do not have material impact on the presentation of the financial statements.

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

(11) DISCLOSURE REQUIRED

(A) Related information of significant transactions :

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

Unit: thousands of shares

Acquisition by	Name of property	Account name	Counterparty	Relationship	Beginning balance (Note)		Addition		Reduction			Ending balance		
					shares	Amount	shares	Amount	shares	selling price	Book value	Disposal gain or loss	shares	Amount
The Company	The Bank	Long-term Investment	-	-	1,418,059	12,058,379	100,000	(1,595,974)	-	-	-	-	1,518,059	10,462,405
							(Note1)	(Note2)						

Note 1: Increasing investment \$100,000 thousands of shares.

Note 2: Costs of increasing investment amount to \$1,000,000, investment loss under equity method \$2,392,091 and unrealized loss of available for sale financial assets \$203,883.

- Acquisition of real estate up to \$300 million dollars or 10% of outstanding capital: None.
- Disposal of real estate up to \$300 million or 10% of outstanding capital: None.
- Discount of commission fees for transaction with related parties up to \$5 million: None.
- Receivables from related parties up to \$300 million or 10% of outstanding capital: For more information please refer to Notes 4(Y) and 5(B).
- Sale of NPL information: None.
- Types of securitization instruments and other relevant information approved to issue pursuant to financial assets securitization rules or real estate securitization rules: For more information please refer to Notes 4(I) and 4(AC).
- Other significant transactions that many have substantial influence upon the decision made by financial statements users: None.

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

(B) Related information of investee companies:

1. Names, locations, and relevant information of investees upon which the Bank exercises significant influence:

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

Investor company	Investee company	Address	Major business	Ownership %	Book value	Investment gain or loss	Held by the company and subsidiaries			Ownership %	Note
							Shares	Proforma shares	Total Shares		
The Company	Jih Sun Securities Co., Ltd.	F3, No.111, Sec.2, Nan King E. Rd., Taipei	Brokerage, underwriting, proprietary trading	100.00	20,382,581	2,643,739	1,157,212,760	-	1,157,212,760	100.00	Subsidiaries
	Jih Sun International Commercial Bank Co., Ltd.	F1, No.10, Sec.1, Chung Ching S. Rd., Taipei	Deposits and loans, temporary receipt, investment of government bonds, short-term bills/ notes, and financial debentures	100.00	10,462,404	(2,392,091)	1,518,058,708	-	1,518,058,708	100.00	"
	Jih Sun International Insurance Agency Co., Ltd.	F4, No.139, Sec.2, Nan King E. Rd., Taipei	Property insurance agency	100.00	5,702	1,644	300,000	-	300,000	100.00	"
The Securities	Jih Sun Futures Co., Ltd.	F4, No.111, Sec.2, Nan King E. Rd., Taipei	Brokerage and proprietary trading of futures (businesses approved by MOF) futures consulting services (businesses approved by MOF)	98.14	1,057,035	178,942	61,826,792	-	61,826,792	98.14	Subsidiaries of the securities
	Jih Sun Securities Investment Consulting Co., Ltd.	F7, No.111, Sec.2, Nan King E. Rd., Taipei	Provide advisory and consulting related with securities investment on a consigned basis	100.00	66,015	2,950	10,000,000	-	10,000,000	100.00	"
	Jih Sun International Investment Holding Co., Ltd	Scotia Centre, 4th Floor, P.O. Box 2804, George Town, Grand Cayman, Cayman Islands	1.Securities brokerage and proprietary trading 2.Underwriting 3.Securities research & analysis 4.Corporate & individual financial planning 5.financial business 6.Investment trust 7.Futures 8.Holding company to recognize the profit & loss of investment	100.00	1,638,339	162,680	54,600,000	-	54,600,000	100.00	"
"	Jin Sun Managed Futures Co., Ltd.	F12, No.111, Sec.2, Nan King E. Rd., Taipei	Managed futures	100.00	167,844	(5,557)	20,000,000	-	20,000,000	100.00	"
The Bank	Jih Sun Life Insurance Agency Co., Ltd.	F6, No.68, Song Jiang Rd., Taipei	Life insurance agency	99.00	17,184	3,449	297,000	-	297,000	99.00	Subsidiaries of the Bank
Js International Investment Holding Co. Ltd.	JS Cresvale Securities International Ltd.	Suite 3712-113A, Asia Pacific Finance Tower, Citibank Plaza 3 Garden Rd., Central, Hong Kong	Stock brokerage, futures brokerage and sales of mutual funds	100.00	USD 28,744	USD 3,618	293,000,000	-	293,000,000	100.00	"
"	Jih Sun Financial Services (Cayman) Ltd.	Scotia Centre, 4th Floor, P.O. Box 2804, George Town, Grand Cayman, Cayman Islands	Securities, financial investment consulting	100.00	USD 19,670	USD 1,236	18,050,000	-	18,050,000	100.00	"
"	Jih Sun Capital Management Ltd.	P.O. Box 146, Road Town, Tortola, British Virgin Islands	Fund and asset management and consulting	100.00	USD 1,584	USD 79	100,000	-	100,000	100.00	Subsidiaries of the securities consolidated
JS Cresvale Securities International Ltd.	JS Cresvale Capital Ltd.	Suite 3712-113A, Asia Pacific Finance Tower, Citibank Plaza 3 Garden Rd., Central, Hong Kong	Brokerage, underwriting, proprietary trading	100.00	HKD 20,935	HKD 244	2,000,000	-	2,000,000	100.00	"

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

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

2. Capital lending to another party: None.
3. Endorsement and guarantees for others: None.
4. Marketable securities held as of December 31, 2007: Not applicable.
5. Cumulative purchases or sales of the same investee's capital stock up to \$300 million dollars or 10% of outstanding capital: None.
6. Acquisition of real estate up to \$300 million dollars or 10% of capital:

Acquisition by	Name of property	Transaction date	Transaction amount	Payment status	Counterparty	Relationship	Previous transfer data when counter-party is related party				Reference of acquisition price	Acquisition purpose	Other matter
							Owner	Relationship with issuer	Transfer date	Amount			
Jih Sun International Bank Ltd.	Land (recorded as Collateral assumed)	96.9.19	469,000	All Paid	E-Sin Co., Ltd.	Obligor	N/A	N/A	N/A	-	The acquisition price is determined based on the announcement price by the Court	Resulting from settlement of non performance loans and for resell purpose	None

7. Disposal of real estate up to \$300 million or 10% of outstanding capital: None.
8. Discount of commission fees for transaction with related parties up to \$5 million: None.
9. Receivables from related parties up to \$300 million or 10% of outstanding capital: The Bank receivable from the Company resulting from tax incentives was \$941,656.
10. Transactions of financial derivatives: For more information please refer to Note 4(AB).
11. Sale of NPL information: None.
12. Types of securitization instruments and other relevant information approved to issue pursuant to financial assets securitization rules or real estate securitization rules: For more information please refer to Notes 4(I) and 4(AC).
13. Other significant transactions that may have substantial influence upon the decision made by financial statements users: None.

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

14. Information of the Securities investment in the Company or area without securities supervisory authority.

(1) Information of Balance sheet and Income Statement(Condensed) :

A. Balance Sheet

Unit: : U.S. dollars

Company	Jih Sun International Investment Holding Company Limited	Jih Sun Financial Services (CAYMAN)Com pany Limited	Jih Sun Technology Management Consultant Company Limited
Items			
Current Assets	492,159	60,486,425	1,588,589
Fund and Investment	50,027,782	1,344,321	-
Property, plant & equipment-net	-	-	79
Other Assets	-	-	-
Current Liabilities	690	42,130,839	4,793
Common stocks	54,600,000	18,050,000	100,000
Retained Earnings (Accumulated deficit)	(3,523,123)	2,864,185	1,480,610
Cumulative translation adjustments	(276,568)	-	3,265
Unrealized gain on financial instruments	(281,058)	(1,214,278)	-
Total assets	50,519,941	61,830,746	1,588,668
Total liabilities	690	42,130,839	4,793
Total stockholders' equity	50,519,251	19,699,907	1,583,875

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

B. Income Statement

Unit: : U.S. dollars

company	Jih Sun International Investment Holding Company Limited	Jih Sun Financial Services(CAYM AN)Company Limited	Jih Sun Technology Management Consultant Company Limited
Items			
Operating revenue	4,932,412	4,973,227	54,559
Operating expense	(1,302)	(1,705,127)	(15,366)
Non-operating revenue	22,158	-	61,764
Non-operating expense	-	(2,032,253)	(21,959)
Income before tax	4,953,268	1,235,847	78,998
Income after tax	4,953,268	1,235,847	78,998

(2) Marketable securities held as of December 31,2007:
dollars

Unit: Shares;U.S.

Holding Company	Kinds or names of valued securities	Account Name	2007.12.31	
			Shares	Amount
Jih Sun International Investment Holding Company Limited	Jih Sun Cresvale Securities CO. Ltd.	Long-term investment under equity method	293,000,000	28,743,999
	Jih Sun Financial Service(Cayman)Company Limited	Long-term investment under equity method	18,050,000	19,699,908
	Jih Sun Technology Management Consultant Company Limited	Long-term investment under equity method	100,000	1,583,875
	Total			50,027,782
Jih Sun Financial Service(Cayman) Company Limited	KGIFP(NOTE)	Financial assets measured at fair value through profit or loss-current	6,000,000	6,000,000
	CITIBANK INTL PLC(CLN)	Financial assets measured at fair value through profit or loss-current	3,000,000	3,000,000
	WALSIN LIHWA CORP(CLN)	Financial assets measured at fair value through profit or loss-current	3,000,000	3,000,000
	E-TON(CLN)	Financial assets measured at fair value through profit or loss-current	3,000,000	3,000,000
	Others(under USD3,000,000)	Financial assets measured at fair value through profit or loss-current		26,116,444
	Subtotal			41,116,444
	ALTORCORP.	Available-for-sale financial assets-non-current	41,237	-
	CAPRIONCORP.	Available-for-sale financial assets-non-current	1,773	8,599
	GLOBALCORP	Available-for-sale financial assets-non-current	125,000	1
	JSA VentureCapitalCorp	Available-for-sale financial assets-non-current	2,300,000	1,335,721
	Subtotal			1,344,321
Total			42,460,765	

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

(3) Information of financial instruments and source of fund:

Refer to Notes 11(B) 14(2), Jih Sun International Investment Holding Co., Ltd. used its owned capital to invest. JS Cresvale Capital Ltd. used its owned capital and repo funds to invest derivation instruments.

(4) Related-party transactions:

There are no significant transactions between Jih Sun International Investment Holding Co., Ltd, JS Cresvale Capital Ltd, and Jih Sun Capital Management Ltd. in 2007 and 2006.

(5) Lawsuit:

There are no lawsuit of Jih Sun International Investment Holding Co., Ltd, JS Cresvale Capital Ltd, and Jih Sun Capital Management Ltd.

(C) Information of investment in Mainland China area by the Company and subsidiaries: None.

(D) Significant transactions between the Company and subsidiaries which were written-off:

For the Year Ended December 31,2007							
No	Traders' name	Transaction counter-party	Relationship with trader	Transactions			
				Accounts	Amount	Terms	% of consolidated revenue or total assets
1	Jih Sun International Bank Ltd.	Jih Sun Securities Co., Ltd.	3	Other revenues	90	The same as non-related party	-
2	Jih Sun Securities Co., Ltd.	Jih Sun International Bank Ltd.	3	Other administration expense	90	"	-
2	Jih Sun Securities Co., Ltd.	Jih Sun International Bank Ltd.	3	Deposits in	4,042	"	-
1	Jih Sun International Bank Ltd.	Jih Sun Securities Co., Ltd.	3	Refundable deposits	4,042	"	-
1	Jih Sun Securities Co., Ltd.	Jih Sun International Bank Ltd.	3	Non-operating revenue	8,036	"	0.06%
2	Jih Sun International Bank Ltd.	Jih Sun Securities Co., Ltd.	3	Other administration expense	8,036	"	0.06%
1	Jih Sun International Bank Ltd.	Jih Sun Securities Co., Ltd.	3	Non-operating revenue	17,421	"	0.13%
2	Jih Sun Securities Co., Ltd.	Jih Sun International Bank Ltd.	3	Other administration expense	17,421	"	0.13%
2	Jih Sun Securities Co., Ltd.	Jih Sun International Bank Ltd.	3	Securities brokerage	2,746	"	0.20%

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

For the Year Ended December 31, 2007							
No	Traders' name	Transaction counter-party	Relationship with trader	Transactions			
				Accounts	Amount	Terms	% of consolidated revenue or total assets
				commissions			
1	Jih Sun International Bank Ltd.	Jih Sun Securities Co., Ltd.	3	Handling charge	2,746	"	0.02%
2	Jih Sun Securities Co., Ltd.	Jih Sun International Bank Ltd.	3	Interest expense	12,144	"	0.09%
1	Jih Sun International Bank Ltd.	Jih Sun Securities Co., Ltd.	3	Interest income	12,144	"	0.09%
2	Jih Sun Securities Co., Ltd.	Jih Sun International Bank Ltd.	3	Securities registration and service fee	660	"	0.01%
1	Jih Sun International Bank Ltd.	Jih Sun Securities Co., Ltd.	3	Other administration expense	660	"	0.01%
2	Jih Sun Securities Co., Ltd.	Jih Sun International Bank Ltd.	3	Interest expense	10,853	"	0.08%
1	Jih Sun International Bank Ltd.	Jih Sun Securities Co., Ltd.	3	Interest income	10,853	"	0.08%
1	Jih Sun International Bank Ltd.	Jih Sun Securities Co., Ltd.	3	Deposit and remittance	1,701,477	"	0.57%
2	Jih Sun Securities Co., Ltd.	Jih Sun International Bank Ltd.	3	Cash in bank	1,657,316	"	0.56%
2	Jih Sun Securities Co., Ltd.	Jih Sun International Bank Ltd.	3	Operating deposit	10,000	"	-
2	Jih Sun Securities Co., Ltd.	Jih Sun International Bank Ltd.	3	Refundable deposits	34,161	"	0.01%
2	Jih Sun Securities Co., Ltd.	Jih Sun International Bank Ltd.	3	Short-term debt	460,000	"	0.15%
1	Jih Sun International Bank Ltd.	Jih Sun Securities Co., Ltd.	3	Loan	460,000	"	0.15%
2	Jih Sun Securities Co., Ltd.	Jih Sun Financial Holding Co., Ltd.	2	Securities registration and service fee	14,706	"	0.11%
0	Jih Sun Financial Holding Co., Ltd.	Jih Sun Securities Co., Ltd.	1	Other administration expense	14,706	"	0.11%
2	Jih Sun Securities Co., Ltd.	Jih Sun Financial Holding Co., Ltd.	2	Accounts receivable	540	"	-
0	Jih Sun Financial Holding Co., Ltd.	Jih Sun Securities Co., Ltd.	1	Other payable	540	"	-
1	Jih Sun International Bank Ltd.	Jih Sun Financial Holding Co., Ltd.	2	Deposit and remittance	2,498,319	"	0.84%
0	Jih Sun Financial Holding Co., Ltd.	Jih Sun International Bank Ltd.	1	Cash in bank	2,498,319	"	0.84%
0	Jih Sun Financial Holding Co., Ltd.	Jih Sun International Bank Ltd.	1	Interests payable	1,638	"	-

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

For the Year Ended December 31,2007							
No	Traders' name	Transaction counter-party	Relationship with trader	Transactions			% of consolidated revenue or total assets
				Accounts	Amount	Terms	
1	Jih Sun International Bank Ltd.	Jih Sun Financial Holding Co., Ltd.	2	Other receivable	1,638	"	-
0	Jih Sun Financial Holding Co., Ltd.	Jih Sun International Bank Ltd.	1	Interest revenue	52,403	"	0.40%
1	Jih Sun International Bank Ltd.	Jih Sun Financial Holding Co., Ltd.	2	Interest expense	52,403	"	0.40%
0	Jih Sun Financial Holding Co., Ltd.	Jih Sun International Bank Ltd.	1	Other payable	941,656	"	0.32%
1	Jih Sun International Bank Ltd.	Jih Sun Financial Holding Co., Ltd.	2	Other receivable	941,656	"	0.32%
0	Jih Sun Financial Holding Co., Ltd.	Jih Sun Securities Co., Ltd.	1	Other payable	622,833	"	0.21%
2	Jih Sun Securities Co., Ltd.	Jih Sun Financial Holding Co., Ltd.	2	Other receivable	622,833	"	0.21%
1	Jih Sun International Bank Ltd.	Jih Sun Securities Co., Ltd.	3	Liability of bonds with repurchase agreement	493,001	"	0.17%
2	Jih Sun Securities Co., Ltd.	Jih Sun International Bank Ltd.	3	Investment of redeemable bonds	493,001	"	0.17%
1	Jih Sun International Bank Ltd.	Jih Sun Securities Co., Ltd.	3	Interests payable	263	"	-
2	Jih Sun Securities Co., Ltd.	Jih Sun International Bank Ltd.	3	Other receivable	263	"	-
1	Jih Sun International Bank Ltd.	Jih Sun Securities Co., Ltd.	3	Other Payables	11,976	"	-
2	Jih Sun Securities Co., Ltd.	Jih Sun International Bank Ltd.	3	Other receivable	11,976	"	-
1	Jih Sun International Bank Ltd.	Jih Sun International Insurance Agency Co. Ltd.	3	Non-operating revenue	6,209	"	0.05%
3	Jih Sun International Insurance Agency Co. Ltd.	Jih Sun International Bank Ltd.	3	Commission expense	6,209	"	0.05%
2	Jih Sun Securities Co., Ltd.	Jih Sun International Insurance Agency Co. Ltd.	3	Non-operating revenue	437	"	-
3	Jih Sun International Insurance Agency Co. Ltd.	Jih Sun Securities Co., Ltd.	3	Commission expense	437	"	-
1	Jih Sun International Bank Ltd.	Jih Sun International Insurance Agency Co. Ltd.	3	Other receivable	408	"	-
3	Jih Sun International Insurance Agency	Jih Sun International Bank Ltd.	3	Expense payable	408	"	-

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

For the Year Ended December 31,2007							
No	Traders' name	Transaction counter-party	Relationship with trader	Transactions			
				Accounts	Amount	Terms	% of consolidated revenue or total assets
	Co. Ltd.						
2	Jih Sun Securities Co., Ltd.	Jih Sun International Insurance Agency Co. Ltd.	3	Other payables	16	"	-
3	Jih Sun International Insurance Agency Co. Ltd.	Jih Sun Securities Co., Ltd.	3	Other receivable	16	"	-
3	Jih Sun International Bank Ltd.	Jih Sun International Insurance Agency Co. Ltd.	3	Cash in bank	6,095	"	-
3	Jih Sun International Insurance Agency Co. Ltd.	Jih Sun International Bank Ltd.	3	Deposit and remittance	6,095	"	-
3	Jih Sun International Insurance Agency Co. Ltd.	Jih Sun International Bank Ltd.	3	Interest income	17	"	-
3	Jih Sun International Bank Ltd.	Jih Sun International Insurance Agency Co. Ltd.	3	Interest expense	17	"	-
3	Jih Sun Securities Co., Ltd.	Jih Sun International Bank Ltd.	3	Other revenues	163,687	"	1.26%
3	Jih Sun International Bank Ltd.	Jih Sun Securities Co., Ltd.	3	Other administration expense	163,687	"	1.26%

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

For the Year Ended December 31, 2006							
No.	Traders' name	Transaction counter-party	Relationship with trader	Transactions			
				Accounts	Amount	Terms	% of consolidated revenue or total assets
1	Jih Sun International Bank Ltd.	Jih Sun Securities Co., Ltd.	3	Interest expense	3,390	The same as non-related party	1.34%
2	Jih Sun Securities Co., Ltd.	Jih Sun International Bank Ltd.	3	Interest income	3,390	"	1.34%
2	Jih Sun Securities Co., Ltd.	Jih Sun International Bank Ltd.	3	Deposits in	4,405	"	-
1	Jih Sun International Bank Ltd.	Jih Sun Securities Co., Ltd.	3	Refundable deposits	4,405	"	-
2	Jih Sun Securities Co., Ltd.	Jih Sun International Bank Ltd.	3	Rent revenue	15,492	"	6.11%
1	Jih Sun International Bank Ltd.	Jih Sun Securities Co., Ltd.	3	Rent expense	15,492	"	6.11%
2	Jih Sun Securities Co., Ltd.	Jih Sun International Bank Ltd.	3	Non-operating revenue	125,729	"	49.60%
1	Jih Sun International Bank Ltd.	Jih Sun Securities Co., Ltd.	3	Other non-interest gain or loss	125,729	"	49.60%
2	Jih Sun Securities Co., Ltd.	Jih Sun International Bank Ltd.	3	Securities brokerage commissions	4,165	"	1.64%
2	Jih Sun Securities Co., Ltd.	Jih Sun International Bank Ltd.	3	Handling charge	4,165	"	1.64%
2	Jih Sun Securities Co., Ltd.	Jih Sun International Bank Ltd.	3	Interest expense	67	"	0.03%
1	Jih Sun International Bank Ltd.	Jih Sun Securities Co., Ltd.	3	Interest income	67	"	0.03%
2	Jih Sun Securities Co., Ltd.	Jih Sun International Bank Ltd.	3	Securities registration and service fee	480	"	0.19%
2	Jih Sun Securities Co., Ltd.	Jih Sun International Bank Ltd.	3	Other administration expense	480	"	0.19%
2	Jih Sun Securities Co., Ltd.	Jih Sun International Bank Ltd.	3	Rent expense	6,542	"	2.58%
1	Jih Sun International Bank Ltd.	Jih Sun Securities Co., Ltd.	3	Rent revenue	6,542	"	2.58%
1	Jih Sun International Bank Ltd.	Jih Sun Securities Co., Ltd.	3	Deposit and remittance	548,875	"	0.17%
2	Jih Sun Securities Co., Ltd.	Jih Sun International Bank Ltd.	3	Cash in bank	524,875	"	0.16%
2	Jih Sun Securities Co., Ltd.	Jih Sun International Bank Ltd.	3	Operating deposit	10,000	"	-
2	Jih Sun Securities Co., Ltd.	Jih Sun International Bank Ltd.	3	refundable deposits	14,000	"	-
2	Jih Sun Securities Co., Ltd.	Jih Sun International Bank Ltd.	3	Short-term debt	1,000,000	"	0.31%
1	Jih Sun International Bank Ltd.	Jih Sun Securities Co., Ltd.	3	Loan	1,000,000	"	0.31%
1	Jih Sun Securities Co., Ltd.	Jih Sun International Bank Ltd.	3	Interest expense	414	"	0.16%

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

For the Year Ended December 31, 2006							
No.	Traders' name	Transaction counter-party	Relationship with trader	Transactions			
				Accounts	Amount	Terms	% of consolidated revenue or total assets
1	Jih Sun International Bank Ltd.	Jih Sun Securities Co., Ltd.	3	Interest income	414	"	0.16%
2	Jih Sun Securities Co., Ltd.	Jih Sun Financial Holding Co., Ltd.	2	Securities registration and service fee	14,235	"	5.62%
0	Jih Sun Financial Holding Co., Ltd.	Jih Sun Securities Co., Ltd.	1	Other administration expense	14,235	"	5.62%
2	Jih Sun Securities Co., Ltd.	Jih Sun Financial Holding Co., Ltd.	2	Accounts receivable	1,172	"	-
0	Jih Sun Financial Holding Co., Ltd.	Jih Sun Securities Co., Ltd.	1	Other payable	1,172	"	-
1	Jih Sun Securities Co., Ltd.	Jih Sun International Bank Ltd.	3	Interest income	36,002	"	14.20%
1	Jih Sun International Bank Ltd.	Jih Sun Securities Co., Ltd.	3	Interest expense	36,002	"	14.20%
1	Jih Sun International Bank Ltd.	Jih Sun Financial Holding Co., Ltd.	2	Deposit and remittance	2,950,778	"	0.92%
0	Jih Sun Financial Holding Co., Ltd.	Jih Sun International Bank Ltd.	1	Cash in bank	2,950,778	"	0.92%
0	Jih Sun Financial Holding Co., Ltd.	Jih Sun International Bank Ltd.	1	Interest income	47,642	"	18.80%
1	Jih Sun International Bank Ltd.	Jih Sun Financial Holding Co., Ltd.	2	Interest expense	47,642	"	18.80%
0	Jih Sun Financial Holding Co., Ltd.	Jih Sun International Bank Ltd.	1	Other payable	498,200	"	0.16%
1	Jih Sun International Bank Ltd.	Jih Sun Financial Holding Co., Ltd.	2	Other receivable	498,200	"	0.16%
0	Jih Sun Financial Holding Co., Ltd.	Jih Sun Securities Co., Ltd.	1	Other payable	275,399	"	0.09%
2	Jih Sun Securities Co., Ltd.	Jih Sun Financial Holding Co., Ltd.	2	Other receivable	275,399	"	0.09%
1	Jih Sun International Bank Ltd.	Jih Sun International Insurance Agency Co. Ltd.	3	Deposit and remittance	11,232	"	-
3	Jih Sun International Insurance Agency Co. Ltd.	Jih Sun International Bank Ltd.	3	Cash in bank	11,232	"	-
1	Jih Sun International Bank Ltd.	Jih Sun International Insurance Agency Co. Ltd.	3	Non-operating revenue	7,396	"	2.92%
3	Jih Sun International Insurance Agency Co. Ltd.	Jih Sun International Bank Ltd.	3	Commission expense	7,396	"	2.92%
2	Jih Sun Securities Co., Ltd.	Jih Sun International Insurance Agency Co. Ltd.	3	Non-operating revenue	1,364	"	0.54%

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

For the Year Ended December 31, 2006							
No.	Traders' name	Transaction counter-party	Relationship with trader	Transactions			
				Accounts	Amount	Terms	% of consolidated revenue or total assets
3	Jih Sun International Insurance Agency Co. Ltd.	Jih Sun Securities Co., Ltd..	3	Commission expense	1,364	"	0.54%
3	Jih Sun International Insurance Agency Co. Ltd.	Jih Sun International Bank Ltd.	3	Interest income	24	"	0.01%
1	Jih Sun International Bank Ltd.	Jih Sun International Insurance Agency Co. Ltd.	3	Interest expense	24	"	0.01%
3	Jih Sun International Insurance Agency Co. Ltd.	Jih Sun Securities Co., Ltd..	3	Other payables	43	"	-
2	Jih Sun Securities Co., Ltd..	Jih Sun International Insurance Agency Co. Ltd.	3	Other receivable	43	"	-
3	Jih Sun International Insurance Agency Co. Ltd.	Jih Sun Securities Co., Ltd.	3	Other non-interest gain or loss	113	"	-
2	Jih Sun Securities Co., Ltd.	Jih Sun International Insurance Agency Co. Ltd.	3	Other administration expense	113	"	-
3	Jih Sun International Insurance Agency Co. Ltd.	Jih Sun Securities Co., Ltd.	3	Other payables	58	"	-
2	Jih Sun Securities Co., Ltd.	Jih Sun International Insurance Agency Co. Ltd.	3	Other receivable	58	"	-
1	Jih Sun International Bank Ltd.	Jih Sun International Insurance Agency Co. Ltd.	3	Other receivable	1,585	"	-
3	Jih Sun International Insurance Agency Co. Ltd.	Jih Sun International Bank Ltd.	3	Other payables	1,585	"	-
2	Jih Sun Securities Co., Ltd.	Jih Sun International Bank Ltd.	3	Investment of redeemable bonds	2,149,391	"	0.67%
2	Jih Sun International Bank Ltd.	Jih Sun Securities Co., Ltd.	3	Liability of bonds with repurchase agreement	2,149,391	"	0.67%

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