

Jih Sun Financial Holding Co., Ltd.
Financial Statements for the Years Ended December 31,
2005 and 2004
And
Independent Auditors' Report

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:

Jih Sun Financial Holding Co., Ltd.

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 balance sheets of Jih Sun Financial Holding Co., Ltd. as of December 31, 2005 and 2004, and 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.

As described in Note 4(2), in accordance with the Law Governing Merger of Financial Institutions and SFC Ruling Letter (3) 0913000051, Jih Sun International Bank, Ltd., the Company's long-term investment accounted for under the equity method, amortized loss on sale of non-performing loans over 5 years, with the unamortized remaining balance reflected as deferred expense. If the loss on sale of non-performing loans were recognized currently, long-term investments would be decreased and accumulated deficit would be increased by \$11,621,017 thousand and \$9,151,164 thousand, respectively, as of December 31, 2005 and 2004. Additionally, net income would be decreased by \$2,469,853 thousand and \$3,849,018 thousand, respectively, for the years then ended.

In our opinion, except for the effects of not recognizing currently the loss on non-performing loans as discussed in the preceding paragraph, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Jih Sun Financial Holding Co., Ltd. as of December 31, 2005 and 2004, and the results of its operations and its cash flows for the years then ended, in conformity with the "Regulations Governing the Preparation of Financial Statements for Financial Holding Companies" and generally accepted accounting principles of the Republic of China.

Taipei, Taiwan, R.O.C.
March 3, 2006

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.

(English Translation)
JIH SUN FINANCIAL HOLDING CO., LTD.
BALANCE SHEETS
December 31, 2005 and 2004
(New Taiwan Dollars in Thousands)

	December 31, 2005		December 31, 2004	
	Amount	%	Amount	%
ASSETS				
Current assets:				
Cash and cash equivalents(Note 4(1))	\$ 2,081,127	6	621,069	2
Other receivables(Note 5)	151,039	1	196,749	1
Prepayments and others	351	-	231	-
Total current assets	2,232,517	7	818,049	3
Long-term equity investments:(Note 4(2))				
Long-term equity investments accounted for under the equity-method	32,254,233	93	32,109,664	97
Other financial assets - non-current:				
Refundable deposits	2,582	-	1,738	-
Property and equipment:(Note 4(3))				
Other equipment	3,622	-	2,420	-
Leasehold improvements	5,444	-	1,263	-
Prepayment for equipment	-	-	635	-
	9,066	-	4,318	-
Less:Accumulated depreciation	1,606	-	637	-
	7,460	-	3,681	-
Other assets:				
Deferred expense	1,897	-	2,667	-
Deferred pension cost(Note 4(7))	1,773	-	1,514	-
	3,670	-	4,181	-
TOTAL ASSETS	\$ 34,500,462	100	32,937,313	100
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current liabilities:				
Short-term borrowings(Note 4(4))	\$ -	-	1,168,000	3
Commercial paper payable-net(Note 4(5))	-	-	1,211,804	4
Income tax payable(Note 4(8))	-	-	181,141	1
Other payables(Note 5)	150,209	-	69,604	-
Other current liabilities	1,139	-	695	-
Advance receipts	-	-	24,952	-
Total current liabilities	151,348	-	2,656,196	8
Long-term liabilities:				
Bonds payable(Note 4(6))	8,000,000	23	-	-
Other Liabilities:				
Accrued pension liabilities(Note 4(7))	21,760	-	1,514	-
Total liabilities	8,173,108	23	2,657,710	8
Stockholders' equity:				
Capital stock(Note 4(9))				
Common stock	22,532,732	65	22,532,732	68
Capital surplus:(Note 4(9))				
Capital surplus-premium on stock issuance	9,477,820	28	10,108,568	31
Capital surplus-trading of treasury stock	15,419	-	82	-
Capital surplus-long-term investments	-	-	18,395	-
Retained earnings				
Accumulated deficit(Note 4(10))	(4,394,614)	(13)	(649,225)	(2)
Other adjustments to stockholders' equity:				
Cumulative translation adjustments(Note 4(2))	(85,205)	-	(138,833)	-
Net loss not recognized as pension cost(Note 4(7))	(17,218)	-	-	-
Treasury stock - common stock(Note 4(9))	(1,201,580)	(3)	(1,592,116)	(5)
Total stockholders' equity	26,327,354	77	30,279,603	92
Significant commitments and contingencies(Note 7)				
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 34,500,462	100	32,937,313	100

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

(English Translation)
JIH SUN FINANCIAL HOLDING CO., LTD.
STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004
(New Taiwan Dollars in Thousands, Except for EPS)

	2005		2004	
	Amount	%	Amount	%
Operating revenues:				
Investment income accounted for under the equity method (Note 4(2))	1,422,559	100	1,199,625	100
Operating costs:				
Investment loss accounted for under the equity method (Note 4(2))	5,596,447	393	1,259	-
Gross (loss)margin	(4,173,888)	(293)	1,198,366	100
Operating expense	253,791	19	98,094	9
Operating (loss)income	(4,427,679)	(312)	1,100,272	91
Non-operating income:				
Interest income(Note 5)	13,027	1	62	-
Director's bonus(Note 5)	9,000	1	-	-
Others	975	-	-	-
	23,002	2	62	-
Non-operating expense:				
Interest expense	6,111	-	17,162	1
(Loss)income before income tax	(4,410,788)	(310)	1,083,172	90
Less:Income tax benefit(Note 4(8))	(16,521)	(1)	(37,676)	(3)
Net (Loss)income	<u>\$ (4,394,267)</u>	<u>(309)</u>	<u>1,120,848</u>	<u>93</u>
	Before income tax	After income tax	Before income tax	After income tax
Basic EPS(Note 4(11))(New Taiwan Dollar)	<u>\$ (2.08)</u>	<u>(2.07)</u>	<u>0.52</u>	<u>0.54</u>
Pro forma data assuming Company shares in which subsidiaries trade or invest are not considered as treasury stock:				
Net income			<u>1,183,034</u>	
			Before income tax	After income tax
Basic EPS(New Taiwan Dollar)			<u>0.54</u>	<u>0.56</u>
			<u>2,115,874,430 shares</u>	

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

(English Translation)
JIH SUN FINANCIAL HOLDING CO., LTD.
STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004
(New Taiwan Dollars In Thousands)

	Capital surplus					Cumulative translation adjustments	Net loss not recognized as pension cost	Treasury stock - common stock	Total
	Common stock	Premium on stock insurance	Treasury stock	Long-term investments	Accumulated deficit				
Balance, January 1, 2004	\$ 22,532,732	10,108,568	20,592	18,395	(1,401,274)	(31,748)	(34)	(1,941,895)	29,305,336
Net income for 2004	-	-	-	-	1,120,848	-	-	-	1,120,848
Recognition of translation adjustment of subsidiaries	-	-	-	-	-	(107,085)	-	-	(107,085)
Net loss not recognized as pension cost of subsidiaries	-	-	-	-	-	-	34	-	34
Treasury stock transferred to employees by subsidiaries	-	-	(430)	-	(4,058)	-	-	897,524	893,036
Disposal of treasury stock by subsidiaries	-	-	(20,080)	-	(364,741)	-	-	653,835	269,014
Purchase of treasury stock	-	-	-	-	-	-	-	(1,201,580)	(1,201,580)
Ending balance, December 31, 2004	22,532,732	10,108,568	82	18,395	(649,225)	(138,833)	-	(1,592,116)	30,279,603
Net loss for 2005	-	-	-	-	(4,394,267)	-	-	-	(4,394,267)
Recognition of translation adjustment of subsidiaries	-	-	-	-	-	53,628	-	-	53,628
Net loss not recognized as pension cost	-	-	-	-	-	-	(17,218)	-	(17,218)
Capital surplus against accumulated deficit	-	(630,748)	(82)	(18,395)	649,225	-	-	-	-
Disposal of treasury stock by subsidiaries	-	-	-	-	(347)	-	-	59,955	59,608
Treasury stock transferred to employees	-	-	15,419	-	-	-	-	330,581	346,000
Ending balance, December 31, 2005	\$ 22,532,732	9,477,820	15,419	-	(4,394,614)	(85,205)	(17,218)	(1,201,580)	26,327,354

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

(English Translation)
JIH SUN FINANCIAL HOLDING CO., LTD.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004
(New Taiwan Dollars in Thousands)

	<u>2005</u>	<u>2004</u>
Cash flows from operating activities:		
Net (loss) income	\$ (4,394,267)	1,120,848
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation	969	527
Amortization	1,747	1,673
Loss (gain) on investments recognized under the equity method (including of cash dividends received)	4,468,666	(1,198,366)
Changes in operating assets and liabilities:		
Other receivables	45,710	(29,299)
Prepayments and others	(120)	(230)
Deferred pension cost	(259)	(1,514)
Income tax payables	(181,141)	181,141
Other current liabilities	444	695
Other payables	80,605	(99,088)
Advance receipts	(24,952)	24,952
Accrued pension liabilities	3,028	1,514
Net cash provided by operating activities	<u>430</u>	<u>2,853</u>
Cash flows from investing activities:		
Increase in long-term equity investments	(6,000,000)	(3,000)
Decrease in long-term equity investments	1,500,000	-
Purchase of property	(5,382)	(2,969)
Increase in refundable deposits	(844)	(760)
Increase in deferred expense	(342)	-
Net cash flow used in investing activities	<u>(4,506,568)</u>	<u>(6,729)</u>
Cash flow from financing activities:		
(Decrease)increase in short-term borrowings	(1,168,000)	817,000
(Decrease)increase in commercial paper payable	(1,211,804)	1,206,811
Decrease in long-term debt	-	(200,000)
Increase in bonds payable	8,000,000	-
Purchase of treasury stock	-	(1,201,581)
Treasury stock transferred to employees	346,000	-
Net cash provided by financing activities	<u>5,966,196</u>	<u>622,230</u>
Net increase in cash and cash equivalents	1,460,058	618,354
Cash and cash equivalents, beginning of the period	621,069	2,715
Cash and cash equivalents, end of the period	<u>\$ 2,081,127</u>	<u>621,069</u>
Supplemental disclosures of cash flow information:		
Changes in net loss not recognized as pension cost	<u>\$ 17,218</u>	<u>-</u>
Interest paid (excluding capitalized interest)	<u>\$ 6,111</u>	<u>18,308</u>
Income tax paid	<u>\$ 308,681</u>	<u>38,586</u>

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

JIH SUN FINANCIAL HOLDING CO., LTD.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2005 AND 2004
(New Taiwan Dollars in Thousands, Unless Otherwise Stated)

1. OVERVIEW

Jih Sun Financial Holding Co., Ltd. (the "Company") was established to comply with the trend 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 record of was February 5, 2002, and the Company was established on the same date.

The Company conducts business in the following areas:

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

On May 21, 2002, the Board of Directors Meeting resolved to approve the merger between the Company, the Company's subsidiary Jih Sun Securities Co., Ltd. and Yuan Xin Securities Co., Ltd. According to the terms and conditions stipulated in the merger agreement, Jih Sun Securities Co., Ltd., as the surviving entity, first merged with Yuan Xin Securities Co., Ltd. (conversion ratio of 1.2997 shares of Yuan Xin Securities Co., Ltd. exchanged for 1 share of Jih Sun Securities Co., Ltd.). The 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, 2005, the number of the Company was 66. As of December 31, 2005, the number of the Company and subsidiaries was 5,325.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Company's financial statements were prepared in accordance with the Regulations Governing the Preparation of Financial Statements for Financial Holding Companies, the Regulations Governing the Preparation of Financial Statements for Security Issuers, and generally accepted accounting principles of the Republic of China' except the subsidiary, Jih Sun International Bank, amortizing the loss from sale of non-performing loans over 5 years . A summary of significant accounting policies is as follows:

1) Assets Impairment

Commencing from the first quarter of year 2005, the Company and its subsidiaries 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 periods.

2) Cash and equivalents

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

3) Short-Term Investments

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

4) Long-Term Equity Investments

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

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

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

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

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

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

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

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

5) Properties

Premises 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 acquisition of premises and until they are ready for use is capitalized as part of the acquisition costs.

Depreciation is applied by the straight-line method with economic lives stipulated by the government. Leasehold improvements are amortized over the lease period or estimated useful lives, whichever is shorter. Assets still in use after full depreciation may continue to be depreciated over estimated remaining economic lives. Economic lives of major premises and equipment are the following: equipment, 3 to 5 years; leasehold improvements, 5 years.

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

6) Deferred Charges

Deferred charges such as computer software costs are amortized using the straight-line method over three years.

7) 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 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 reason for purchase, and the weighted-average method is used.

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

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

8) Pension Plan

The Company has a retirement plan for its employees. The Labor Standards Law governs the Company, and its pension fund payment is in compliance with the Labor Standards Law.

The Company adopted SFAS No.18 “Accounting for Pensions.” Net pension costs recognized each period include the following:

- ① Service cost
- ② Interest cost
- ③ Projected return on plan assets
- ④ Amortization of unrecognized prior period service cost
- ⑤ Amortization of unrecognized gain or loss on pension plan
- ⑥ Amortization of unrecognized transitional net asset or obligation

If the pension fund amount is less than the net pension cost, the difference will be recognized as “accrued pension liability.” If the amount funded is greater than the net pension cost, the difference will be recognized as “prepaid pension cost.” The minimum pension liability recognized in the balance sheet is the lowest amount of pension liability.

9) Income Taxes

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

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

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

10) Recognition of Revenue

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

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

3. REASONS FOR AND EFFECT OF ACCOUNTING CHANGES

Commencing from the first quarter of 2005, the Company and its subsidiaries adopted SFAS No. 35 "Accounting for Impairment of Assets." However, the adoption of this new accounting standard did not effect the Company and its subsidiaries' results of operations because no impairment of assets was noted as of December 31, 2005.

4. DETAILS OF SIGNIFICANT ACCOUNTS

1) CASH AND CASH EQUIVALENTS

	<u>December 31, 2005</u>	<u>December 31, 2004</u>
Bank deposits		
Demand deposits	\$ 30,679	1,962
Checking deposits	448	107
Time deposits	<u>2,050,000</u>	<u>-</u>
Subtotal	<u>2,081,127</u>	<u>2,069</u>
Equivalents		
Commercial paper	<u>-</u>	<u>619,000</u>
Total	<u><u>\$ 2,081,127</u></u>	<u><u>621,069</u></u>

2) LONG-TERM EQUITY INVESTMENTS

Invested company December 31, 2005	<u>Ownership %</u>	<u>Amount</u>
<u>Under equity method</u>		
Jih Sun International Bank Limited (Original investment cost \$20,405,297)	100%	\$ 13,901,328
Jih Sun Securities Co., Ltd. (Original investment cost \$17,601,701)	100%	18,346,196
Jih Sun Product Insurance Agent Co., Ltd. (Original investment cost \$3,000)	100%	<u>6,709</u>
Subtotal		<u><u>\$ 32,254,233</u></u>

Invested company December 31, 2004	<u>Ownership %</u>	<u>Amount</u>
<u>Under equity method</u>		
Jih Sun International Bank Limited (Original investment cost \$14,405,297)	100%	\$ 13,497,775
Jih Sun Securities Co., Ltd. (Original investment cost \$19,101,701)	100%	18,610,148
Jih Sun Product Insurance Agent Co., Ltd. (Original investment cost \$3,000)	100%	<u>1,741</u>
Subtotal		<u><u>\$ 32,109,664</u></u>

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

- (1) The Company was established through a stock conversion between Jih Sun Securities Co., Ltd and Jih Sun International Bank, Ltd. on February 5, 2002. The original investment is the book value of the above two subsidiaries on the conversion date. The above two companies became subsidiaries of the Company after the conversion in which the Company has controlling interest and therefore are accounted for under the equity method. Jih Sun International Bank, Ltd. sold non-performing loans to an asset management company in 2005, 2004 and 2002, resulting in a loss of \$5,445,069, \$5,282,396 and \$6,768,699, respectively. In accordance with Article 15 of Paragraph 5, the Bank amortized the loss over 60 months, reflected as deferred expense. Amortization for the period amounted to \$2,975,217 and \$1,433,378, respectively. If the loss on non-performing loans were recognized currently, deferred assets would be decreased by \$11,621,017 and \$9,151,164 as of December 31, 2005 and 2004, respectively. Net income would be decreased by \$2,469,853 and \$3,849,018, respectively for the years then ended.

The investment income (loss) and accumulated adjustment for the years ended December 31, 2005 and 2004 were as follows:

	2005	2004
Jih Sun International Bank., Ltd.		
- Investment (loss) income	\$ (5,596,447)	747,133
Jih Sun Security Co., Ltd.		
- Investment income	\$ 1,417,591	452,492
-Accumulated adjustment	53,628	(107,085)
Total	\$ 1,471,219	345,407
Jih Sun Product Insurance Agent Co., Ltd.		
- Investment income (loss)	\$ 4,968	(1,259)

- (2) On August 9, 2004, The Company's subsidiary Jih Sun Product Insurance Agent Co. increased capital by \$3,000, with the Company subscribing to the full amount. Therefore ownership was 100%.
- (3) In October 2003, March 2005 and December 2005, the Company's subsidiary- Jih Sun International Bank, Ltd. increased capital by \$1,000,000, \$3,500,000 and \$2,500,000 with the Company subscribing to the full amount. Therefore, ownership was still 100%.
- (4) The Company's subsidiary- Jih Sun International Bank, Ltd. transferred treasury stock to employees in 2004, resulting in an increase in long-term investment of \$323,061 (transfer of treasury stock cost of \$323,491 less transfer loss of \$430).
- (5) The Company's subsidiary- Jih Sun Securities Co., Ltd. decreased its capital of \$1,500,000 in 2005. Therefore ownership was still 100%.
- (6) The Company's subsidiary- Jih Sun Securities Co., Ltd. transferred treasury stock to employees in 2005 and 2004, resulting in an increase in long-term investment of \$59,608 (transfer of treasury stock cost of \$59,955 less transfer loss of \$347) and \$569,975 (transfer of treasury stock cost of \$574,033 less transfer loss of \$4,058), respectively.
- (7) The Company's subsidiary- Jih Sun Securities Co., Ltd. disposed of treasury stock in 2004; resulting in an increase in long-term investment of \$269,015 (transfer of treasury stock cost of \$653,835 less transfer loss of \$384,820).
- (8) In 2005, the shareholders' meeting of the Company's subsidiary- Jih Sun Securities Co., Ltd. resolved to distribute cash dividends. The Company received \$294,779, in cash dividends according to ownership
- (9) The Company's subsidiary- Jih Sun Securities Co., Ltd. recognized according to ownership net pension loss of unrecognized pension cost of investee totaling \$34 in 2003 and reversed in 2004.

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

3) PROPERTIES AND EQUIPMENT

	Cost	Accumulated depreciation	Net
December 31, 2005			
Other equipment	\$ 3,622	1,155	2,467
Leasehold improvement	5,444	451	4,993
Total	\$ 9,066	1,606	7,460
December 31, 2004			
Other equipment	\$ 2,420	532	1,888
Leasehold improvement	1,263	105	1,158
Prepayments for equipment	635	-	635
Total	\$ 4,318	637	3,681

4) SHORT-TERM BORROWINGS

Nature	Period	Interest rate	Ending balance	Credit line	Collateral
December 31, 2005					
Collateralized loan	-	-	\$ -	-	-
Credit loan	-	-	-	-	-
			\$ -		
December 31, 2004					
Credit loan	November 19, 2004 ~ January 18, 2005	1.45%~1.55%	\$ 345,000	900,000	-
Collateralized loan	December 03, 2003 ~ March 31, 2005	1.30%~1.68%	823,000	2,550,000	Marketable securities
			\$ 1,168,000		

5) COMMERCIAL PAPER PAYABLE-NET

	December 31, 2005	December 31, 2004
Commercial paper payable	\$ -	1,213,000
Less: Unamortized discount	-	(1,196)
Net	\$ -	1,211,804

The issuance period for commercial paper payable is within 365 days. The annual interest rates ranged from 0.912% to 1.22% during the years ended December 31, 2004.

6) BONDS PAYABLE

Nature	December 31, 2005	December 31, 2004
Unsecured Convertible Bonds	\$ 6,000,000	-
Unsecured Subordinate Bonds	2,000,000	-
Total	\$ 8,000,000	-

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

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.

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, 2005, the adjusted conversion price is NT\$8.8 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 (i) 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 (ii) 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.

7) PENSION PLAN

The Company has a contributory retirement plan covering all regular employees.

Upon adoption of the Labor Standards Law, the Company refunded the employee contribution under the previous pension plan to its employees in full. The employee pension payments under the Labor Standards Law are computed on the basis of 2 units for each of the first 15 years of service, and 1 unit for each year thereafter, up to a maximum of 45 units. Any fraction of a year less than 6 months is counted as half a year and any fraction of a year equal to more than 6 months is counted as one year of service. Each unit of retirement payment is equal to the average monthly salary at the time of approved retirement.

a) In the year 2005, the related changes of the Company's pension fund were as follows:

	<u>December 31, 2005</u>
Beginning balance	\$ -
Plus: Current year's distribution	1,138
Interest	5
Less: Current year's payments	-
Fund balance	<u>\$ 1,143</u>

b) For the year ended December 31, 2005, the components of net pension cost were as follows:

	<u>December 31, 2005</u>
Service cost	\$ 3,280
Interest cost	66
Projected return on pension plan assets	(15)
Amortization and deferral	118
Net periodic pension cost	<u>\$ 3,449</u>

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

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

	2005	2004
Discount rate	3.50%	3.50%
Future salary increase rate	3.00%	2.00%
Estimated long-term investment rate of return on pension plan assets	2.50%	2.50%

	December 31, 2005	December 31, 2004
Benefit obligation		
Vested benefit obligation	\$ 1,374	\$ 152
Non-vested benefit obligation	20,666	1,362
Accumulated benefit obligation	22,040	1,514
Effect from future salary increase	8,757	377
Projected benefit obligation	30,797	1,891
Fair value of pension fund assets	(1,143)	-
Funded status	29,654	1,891
Unrecognized net transitional obligation	(1,773)	(1,891)
Unrecognized loss	(25,975)	-
Recognized accrued pension liabilities	18,991	1,514
Accrued pension liabilities	\$ 20,897	1,514
Deferred Pension cost	\$ 1,773	1,514
Net loss not recognized as pension cost	\$ 17,218	-

As of December 31, 2005 and 2004, the Bank's vested benefits were approximately \$1,528 and \$170, respectively. According to Labor Pension Act, effective from July 1, 2005, the pension expenses for the Company was \$1,561 in 2005.

8) INCOME TAXES

According to regulations stipulated by Ruling Letter No. 910458039 dated February 22, 2003, "Principles and regulations of profit seeking businesses filing joint tax returns in accordance to Article 49 of the Financial Holding Company Law and Article 40 of Enterprise Merger Law", when a financial holding company holds more than 90% of the shares of a domestic subsidiary, the financial holding company and the subsidiary can file a joint tax return 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.

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

(1) Income taxes for 2005 and 2004 were the following:

	2005	2004
Current income tax payable(tax receivables)	\$ (64,739)	181,141
Income tax payable resulting from tax incentives	42,350	43,100
Income tax receivable resulting from tax incentives	(45,382)	(167,873)
Securities temporary credit	-	(123,753)
Income tax prepayment and withholding	694	38,586
Separate income tax levied on short-term bills	71	-
Adjustment of prior year's income tax expense	50,485	(8,877)
Income tax benefit	\$ (16,521)	(37,676)

The tax authorities had approved the income tax return for year 2002 of the Company.

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

	2005	2004
Income (loss) before income tax calculated at legal tax rate	\$ (1,102,697)	270,793
Income tax effect of adjustment items permanent difference:		
Investment loss (income) accounted for under the equity method	1,043,472	(299,592)
Adjustment of prior year's income tax expense	50,485	(8,877)
Effect of separate income tax	(18)	-
Benefit resulting from tax incentives	(7,880)	-
Others	117	-
Income tax benefit	\$ (16,521)	(37,676)

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

	December 31, 2005	December 31, 2004
Income tax payable resulting from tax incentives-Bank	\$ (104,539)	(61,841)
Income tax receivable resulting from tax incentives-Securities	45,382	167,873
	\$ (59,157)	106,032

(4) Related information on imputation tax system:

	December 31, 2005	December 31, 2004
Balance of stockholders' imputation credit account	\$ 795,748	427,752
	2005 (estimated)	2004 (actual)
Estimated (actual) imputation credit ratio of earnings distribution	- %	- %

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

(5) Related information on undistributed earnings:

	December 31, 2005	December 31, 2004
Undistributed earnings of 1998 and after	\$ (4,394,614)	(649,225)

9) STOCKHOLDERS' EQUITY

(1) 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. As of December 31, 2005 and 2004, the Company's authorized capital was \$50,000,000 and paid-in capital was \$22,532,732, totaling 2,253,273,187 shares.

(2) 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. 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 increasing in long-term investments of \$269,015 and a decreasing in capital surplus-issue of \$20,080 and an increasing in accumulated deficit of \$364,741.

	December 31, 2005
Accumulated deficit	\$ (1,401,274)
Add: Net income for 2004	1,120,848
Less: Treasury stock transferred to employees by subsidiaries	(4,058)
Disposal of treasury stock by subsidiaries	(364,741)
Accumulated deficit	(649,225)
Capital surplus against accumulated deficit	
Additional paid-in capital	630,748
Treasury stock	82
Long-term investment	18,395
Ending balance of accumulated deficit	\$ -

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

(3) Treasury stock

On December 31, 2005 and 2004, in accordance with Article 28-2 of the Securities Exchange Law, treasury stock transferred to employees repurchased were 120,000 thousand shares and 160,000 thousand shares, respectively.

In 2005, 40,000 thousand shares of treasury stock were transferred to the employees, the related selling price and cost were \$346,000 and \$330,581, respectively, and increased additional paid-in capital \$15,419.

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, 2005 and 2004, the amount of treasury stock repurchased was 120,000 thousand shares and 160,000 thousand shares, respectively. As of December 31, 2005 and 2004, the amount of treasury stock repurchased was \$1,201,580 and \$1,532,161, respectively. According to the Securities Exchange Law, treasury stock cannot be pledged, nor does it have stockholder rights prior to transfer.

Jih Sun Securities Co., Ltd and Jih Sun International Bank, Ltd. became subsidiaries of the Company on February 5, 2002, after completing the stock conversion. In accordance with Article 31 of the Financial Holding Company Law and SFAS 30, when the parent company recognizes investment income and compiles financial statements, parent shares held by the subsidiary should still be treated as shares repurchased by the parent company. Therefore, the Company accounts for treasury stock converted from Jih Sun Securities Co., Ltd. and Jih Sun International Bank, Ltd. as treasury stock, with a deduction made to stockholders' equity.

From January 1 to December 31, 2005					
		Jih Sun Securities Co., Ltd		Jih Sun International Bank, Ltd	
		Shares	Amounts	Shares	Amounts
Beginning balance		6,260,410	\$ 59,955	-	-
Transfer during the period		6,260,410	59,955	-	-
Ending balance		-	\$ -	-	-
Transfer price			\$ 59,608	(Note)	-
From January 1 to December 31, 2004					
		Jih Sun Securities Co., Ltd		Jih Sun International Bank, Ltd	
		Shares	Amounts	Shares	Amounts
Beginning balance		74,351,639	\$ 633,988	43,666,367	323,491
Transfer during the period		68,091,229	574,033	43,666,367	323,491
Ending balance		6,260,410	\$ 59,955	-	-
Transfer price			\$ 569,974	(Note)	323,062

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

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

The Company's subsidiary Jih Sun Securities Co., Ltd. originally held 43,143 thousand shares, respectively, of Jih Sun International Bank, Ltd. But due to the stock conversion, the shares were converted to shares of the Company totaling 24,919 thousand shares, respectively, reflected as short-term investments (the Company estimated a conversion cost of \$653,835, respectively). These shares were reflected as a deduction to stockholders' equity in accordance with SFAS 30 "Accounting for Treasury Stock." On December 31, 2004, resulting in a loss of \$443,427 and valuations gain of \$505,613. These shares were re-issued to the employees in 2004.

According to SFC regulations, effective January 1, 2002, the Company's treasury stock held by subsidiaries is treated as treasury stock. If the market price of the Company's stock is less than the book value, the Company should calculate short-term investment devaluation loss or unrealized long-term investment devaluation loss according to ownership, and an equal amount of special reserve should be provided for which cannot be distributed. Any recovery in market value should be used to reverse special reserve according to ownership. If the subsidiary recognizes the shares of the Company as short-term investments, then the amount of recovery cannot exceed the amount of short-term investment devaluation loss on January 1, 2002. The above recovery of special reserve should be reflected with other non-treasury stock as a deduction to stockholders' equity. According to the above regulations, since the Company incurred losses in 2005 and 2004, there was no requirement to recognize short-term investment devaluation loss for special reserve.

As of December 31, 2005 and 2004, the amount of treasury stock held by the Company and its subsidiaries was \$1,201,580 and \$1,592,116, respectively.

According to the "Statements of Financial Accounting Standards for Financial Holding Companies", information regarding shares of the parent company held by the subsidiaries as of December 31, 2004 was as follows:

Name of subsidiary	Shares	Amount	Repurchase reasons	Restriction on earnings distribution	Legal period	Estimated treatment approved by the Board of Directors
Jih Sun Securities Co., Ltd.	6,260	\$59,955	Transferred to employees	No stockholder rights prior to transfer	3 years	Transferred to employees

10) 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 2005 and 2004, and therefore no employee bonuses and remuneration to directors and supervisors were distributed. Information regarding earnings distribution can be found on the Market Observation Post System.

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

11) EARNINGS PER SHARE

Earnings per share are calculated based on the weighted-average number of common shares outstanding during each period, except for capitalization of retained earnings or capital surplus, for which the computation of shares outstanding is retroactively adjusted. The weighted-average number of shares outstanding for the years ended December 31, 2005 and 2004 were 2,122,462,569 and 2,092,361,606, respectively. The earnings per share for the years ended December 31, 2005 and 2004 were (NT\$2.07) and NT\$0.54, respectively. Assuming the Company shares in which subsidiaries trade or invest are not considered as treasury stock, pro forma weighted-average number of shares outstanding for the year ended December 31, 2004 was 2,115,874,430, and pro forma earnings per share for the year ended December 31, 2004 was NT\$0.56.

There is no information of diluted earnings per share due to antidiluted effect of convertible bonds.

12). FINANCIAL INSTRUMENTS

- (1) Financial derivatives: None.
- (2) Fair value of derivative financial instruments

<u>Non-Derivative Financial Instruments</u>	<u>December 31, 2005</u>		<u>December 31, 2004</u>	
	<u>Book Value</u>	<u>Fair Value</u>	<u>Book Value</u>	<u>Fair Value</u>
Financial Assets:				
Book value equal to fair value	\$ 2,234,748	2,234,748	819,556	819,556
Long-term equity investments	32,254,233	-	32,109,664	-
Financial Liabilities:				
Book value equal to fair value	150,209	150,209	2,630,549	2,630,549
Long-term debt	8,000,000	8,000,000	-	-
Accrued pension liabilities	21,760	29,654	1,514	1,891

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

- a) The fair value of short-term financial instrument is used the book value at balance sheet as the kind of goods are very close to on due date, its book value should belong to the rational foundation of estimating fair value. This method is applied to cash and cash equivalents, other current assets, refundable deposits, short-term borrowings, commercial paper payable- net, income tax payable and other payables.
- b) The book value of long-term investments is based on their market prices, if available. The Company's long-term investments are non-listed companies, and therefore it is impossible to determine their fair value. As of December 31, 2005 and 2004, original investment of the above long-term investments amounted to \$38,009,998 and \$33,509,998, respectively, and their carrying amounts were \$32,254,233 and \$32,109,664, respectively
- c) The fair value of the bonds payable is estimated with its discounted value of the expected cash flow. The discount rate is used the long-term liability interest rate with similar condition .
- d) The fair value of accrued pension liabilities is used the fund status as shown in the actuarial report as of December 31, 2005 and 2004.

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

5. RELATED-PARTY TRANSACTIONS

1) Name of Related Party and Relationship with the Company

Name of Related Party	Relationship with the Company
Jih Sun Securities Co., Ltd.	A subsidiary in which the Company owned 100%
Jih Sun International Bank, Ltd.	"
Jih Sun Futures Co., Ltd.	Invested company accounted for under the equity method
Jih Sun Venture Capital Investment Co., Ltd	Invested company accounted for under the cost method
Jih Sun Managed Futures Co., Ltd	Invested company accounted for under the equity method
Jih Sun International Leasing & Finance Co., Ltd	Real related party

2) Significant Transactions with Related Parties

(1) Transactions between the Company and Jih Sun Securities Co., Ltd.:

	2005		2004	
	Expenses	Accounts Payable	Expenses	Accounts Payable
Service agent fee (including computer printing expense)	\$ 13,952	1,137	13,522	-
Director's bonus			\$ 9,000	-

(2) The Company's deposits at Jih Sun International Bank, Ltd. were as follows:

	2005				
	Ending Balance	Maximum Balance	Interest	Interest range	Interest receivables
Deposits	\$ 2,081,038	6,470,334	12,637	1.1%~1.39%	-
	2004				
	Ending Balance	Maximum Balance	Interest	Interest range	Interest receivables
Deposits	\$ 2,005	394,619	43	0%~0.2%	-

(3) Tax incentive receivables (payables)

	December 31, 2005		December 31, 2004	
	Amount	%	Amount	%
Jih Sun Securities Co., Ltd.	\$ 45,382	30	167,873	85
Jih Sun International Bank, Ltd.	\$ (104,539)	70	(61,841)	89

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

(4) Transactions which more than NT\$100 million for Jih Sun Securities Co., Ltd. were as follows:

A. Transactions with Jih Sun Futures Co., Ltd.

	<u>2005</u>	<u>2004</u>
Broken fee revenue	\$ 187,062	213,368
Futures margin deposits	-	625,957

B. Transactions with Jih Sun International Bank, Ltd.

(a) Revenue from sharing of management expense

	<u>2005</u>	<u>2004</u>
Revenue from sharing of management expense (Note)	\$ 108,893	109,007

Note: Jih Sun Securities Co., Ltd, Ltd. entrusted Jih Sun international Bank to handle customers' buying and selling securities transactions, and act for its transfer for issuing stocks and other related matters.

(b) Deposit:

	<u>Ending Balance</u>	<u>Maximum Balance</u>	<u>Interest</u>	<u>Interest range</u>
2005	\$ 227,053	1,305,823	5,044	0%~1.8%
2004	\$ 469,870	3,126,387	3,930	0%~1.6%

(c) The bond transactions with repurchase/resale agreements

	<u>2005</u>		<u>2004</u>	
	<u>Interest expense</u>	<u>Ending Balance</u>	<u>Interest expense</u>	<u>Ending Balance</u>
Liabilities of bonds with repurchase agreements	\$ 1,866	-	485	285,000
	<u>2005</u>		<u>2004</u>	
	<u>Interest revenue</u>	<u>Ending Balance</u>	<u>Interest revenue</u>	<u>Ending Balance</u>
Investment of bonds with resale agreements	\$ 25,128	3,891,096	11,535	2,360,202

(5) Except for Note 5(2) described transactions which more than NT\$100 million for Jih Sun Bank, Ltd. were as follows:

A. Deposit

	<u>2005</u>			
<u>Related-Parties</u>	<u>Ending Balance</u>	<u>Maximum Balance</u>	<u>Interest</u>	<u>Interest range</u>
Jih Sun Futures Co., Ltd.	\$ 3,577,908	6,780,882	28,200	0%~1.8%
Jih Sun Venture Capital Investment Co., Ltd	171,783	193,338	2,266	0%~1.8%
Jih Sun Managed Futures Co., Ltd	172,327	193,534	2,772	0%~1.8%

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

2004				
Related-Parties	Ending Balance	Maximum Balance	Interest	Interest range
Jih Sun Futures Co., Ltd.	\$ 5,049,391	10,489,611	17,700	1.65%

B. Jih Sun Commercial Bank, Ltd. and Jih Sun International Leasing & Finance Co., Ltd. entered into an agreement for automobile loans. As of December 31, 2005 and 2004, commission fees amounted to \$232,043 and \$265,023, respectively. Jih Sun International Leasing & Finance Co., Ltd. undertakes the risk arising from the loan.

6. PLEDGED ASSETS

	<u>December 31, 2005</u>	<u>December 31, 2004</u>
Long-term equity investments		
Jih Sun Securities Co., Ltd.	\$ -	3,042,366

7. SIGNIFICANT COMMITMENTS AND CONTINGENCIES

1) The Company: None.

2) Jih Sun International Bank Ltd.:

- A. As of December 31, 2005 and 2004, contracts for equipment purchase and office renovations were approximately \$188,846 and \$453,048, respectively, of which \$108,490 and \$111,981, respectively, were paid.
- B. As of December 31, 2005 and 2004, the Bank acted as an agent for various collections amounting to approximately \$859,155 and \$683,381, respectively.
- C. As of December 31, 2005 and 2004, the Bank handled several guarantees (including joint handling of foreign exchange transactions); the related outstanding guarantee deposits were approximately \$9,789,207 and \$5,863,062, respectively.
- D. As of December 31, 2005 and 2004, the Bank had outstanding bank acceptance liabilities, which amounted to approximately \$607,809 and \$364,368, respectively, and letters of credit, which amounted to approximately \$1,914,377 and \$2,075,410, respectively.
- E. As of December 31, 2005 and 2004, the Bank acted as custodian of post-dated checks for its clients (excluding next day's checks for clearing) which amounted to approximately \$29,436,772 and \$23,293,377, respectively.
- F. As of December 31, 2005 and 2004, the Bank was entrusted with the sale of U.S. dollar traveler's checks of \$188,655 and \$188,598, respectively.
- G. As of December 31, 2005, the Bank paid rent on a monthly or quarterly basis according to the rental contract. The estimated future rent payable and accrued interest on deposits treated as rent for the next five years were as follows:

Year	Interest on deposits treated as rent	Rent payable	Present value
2006	Note	\$ 183,984	170,035
2007	Note	112,002	103,620
2008	Note	60,763	56,222
2009	Note	38,425	35,635
2010	Note	21,410	20,190

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

As of December 31, 2005, the above interest on deposits treated as rent was based upon rent-free deposits and deposits in excess of 3 months' rent of \$15,323 and at 1.55% per annum interest for the rental period.

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

- (a) The Bank's credit commitments can be cancelled due to accelerated terms', therefore, as of December 31, 2005 and 2004, the Bank had no non-cancelable credit commitments and credit commitment that could only be canceled upon significant payment.
- (b) As of December 31, 2005 and 2004, the Bank had direct credit guarantees, which consisted of general guaranteed bonds (corporate bonds) which amounted to \$165,916 and \$241,983, respectively, and guarantee letters for financial guarantees of loans and securities (commercial paper), which amounted to \$5,349,625 and \$2,440,934, respectively.
- (c) As of December 31, 2005 and 2004, the Bank had performance guarantee bonds of \$1,591,372 and \$1,329,425, respectively. Auction deposits were \$0 and \$7,500, respectively, and guarantee letters issued for specified transactions were \$4,273,666 and \$13,180,145, respectively. As of December 31, 2005 and 2004, the Bank still had financial undertaking of \$5,309,978 and \$5,461,400, respectively.
- (d) The Bank's repurchase and resale commitment were as follows:

	December 31, 2005	December 31, 2004
Central government construction bonds	\$ 10,376,009	6,997,589

Based on the repurchase agreements, after December 31, 2005 and 2004, the Company is obliged to repurchase the above bonds at the sale price plus a mark-up of \$10,382,634 and \$7,000,943, respectively.

- (e) Financial instruments

① Contract or nominal amount and credit risk

	December 31, 2005		December 31, 2005	
	Contract Amount	Credit Risk	Contract Amount	Credit Risk
<u>Purpose for transacting</u>	(Nominal Amount)		(Nominal Amount)	
<u>Foreign exchange contracts:</u>				
Forward contracts and futures held for trading purposes	\$ 5,887,293	33,142	12,051,543	106,566
<u>Exchange rate contracts:</u>				
Exchange rate options	1,858,500	9,664	1,119,296	-
<u>Equity security contracts:</u>				
Security price options	315,775	-	353,529	-
Futures	159,641	-	306,738	-
<u>Swaps contracts</u>				
Interest swaps	19,100,000	85,475	-	-
Asset swaps	11,400	11,400	91,400	-
	\$ 27,332,609	139,681	13,922,506	106,566

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

Note: The option fair value is calculated based upon the closing price.

The above-listed credit risk amount is based upon the positive fair value of the contract on balance sheet date, and remains a positive amount after consideration of the offsetting effect of the net settlement amount as contracted. It represents the Bank's possible loss in the event of non-performance by the counter-parties to the financial instruments. Such credit risk has been included in the consideration of allowance for bad debts or reserve for losses.

② Market value risk

The Bank uses value at risk to evaluate the market value risk of its financial instruments (including derivative financial instruments). Upon occurrence of unfavorable changes due to market factors, the value at risk represents the potential loss on the financial instruments or investment combination at a designated time period and credibility level.

③ Liquidity risk, cash flow risk, and uncertainty of amount and period of future cash demand

As of December 31, 2005, the derivative financial instruments held by the Bank for trading purposes had maturity dates of within one year. At maturity, these instruments will meet the needs of various foreign currency cash inflow and outflow, and overall, the Bank has adequate operating funds and does not expect significant additional cash needs.

④ Gain or loss resulting from current period trading activities

The Bank's trading loss resulting from its trading activities are reflected in the income statement as operating income (operating cost), and is summarized below:

	<u>2005</u>	<u>2004</u>
Foreign exchange contracts	\$ (22,985)	51,536
Exchange rate contracts	(44,192)	20,444
Equity security contracts	(4,400)	19,214
Swaps and options	33,270	3,680
Total	<u>\$ (38,307)</u>	<u>94,874</u>

3) Jih Sun Securities Co., Ltd.:

The Company's significant commitments and contingencies at December 31, 2005 and 2004, are summarized as follows:

- A. As of December 31, 2005 and 2004, the Company had issued post-dated checks for future rental payments, which amounted to \$66,330 and \$93,333, respectively.
- B. As of December 31, 2005 and 2004, in connection with its securities financing activities, the Company held client-owned stocks which amounted to approximately 996,636,682 shares and 1,112,994,307 shares, respectively; stocks loaned out to clients amounted to approximately 65,780,000 shares and 74,903,000 shares, respectively, for which the Company received guarantee deposits in full from the clients.
- C. During 1998, a client of the Company's Pan Chiao Branch filed a lawsuit against a Company employee for unauthorized stock sale of approximately \$40,103. 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.

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

- D. The Company acted as the co-underwriter for Jeng-Yih Company's application for government approval to trade over-the-counter in March, 1995. Subsequently, Jeng-Yih Company was quitted to trade over-the-counter because of a significant amount of 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.
- E. As of December 31, 2005 and 2004, the Company had applied to the court for provisional seizure in connection with protection of its breach penalty for securities margin transactions. Therefore, the Company made guarantee deposits of \$8,667 and \$13,526, respectively, (recorded as guarantee deposit-out) and seized the debtor's assets.
- F. Tai-Chung Branch's three customers 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 \$132,378 with interest. The litigation procedure is in process. Except the case that client Yang suit the Company for \$22,403 was a controversial issue, the other two clients' claim in the early part should be judged the debt dispute between the client and the employee, and the Company should not be responsible for any compensation liability.
- G. The Securities had applied to the court 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.
- H. Financial instruments:

① Stock warrants:

Liabilities for stock warrants issued:

December 31, 2005

Name	Issuance Date	Underlying Stock	Units Issued	Issuance Price (Dollars)	Exercise Price (Dollars)	Market Value (Dollars)	Leverage Ratio	Issuance Amount	Market Value
Jih Sun No. 56	Jun. 23, 2005	CHB	30,000,000	\$ 1.247	22.99	0.010	14.43	37,410	300
Jih Sun No. 57	Jul. 05, 2005	ASE	30,000,000	1.708	27.86	2.650	13.91	51,240	79,500
Jih Sun No. 58	Jul. 14, 2005	SiS	40,000,000	1.495	27.51	0.240	13.14	59,800	9,600
Jih Sun No. 59	Jul. 27, 2005	Farmer Bank	30,000,000	1.159	13.06	0.030	9.02	34,770	900
Jih Sun No. 60	Aug. 08, 2005	FEDS	25,000,000	1.700	25.06	0.130	11.79	42,500	3,250
Jih Sun No. 61	Aug. 15, 2005	FPC	60,000,000	0.799	55.99	0.230	6.37	47,940	13,800
Jih Sun No. 62	Aug. 24, 2005	ACER	60,000,000	0.835	77.04	1.050	7.69	50,100	63,000
Jih Sun No. 63	Sep. 07, 2005	HON HAI	60,000,000	1.474	197.60	0.900	10.31	88,440	54,000
Jih Sun No. 64	Sep. 14, 2005	FONG SHING	50,000,000	0.629	32.78	0.090	4.74	31,450	4,500
Jih Sun No. 65	Sep. 30, 2005	CMO	50,000,000	0.523	44.16	0.820	7.04	26,150	41,000
Jih Sun No. 66	Sep. 30, 2005	CMO	100,000,000	0.180	27.60	0.040	20.41	18,000	4,000
Jih Sun No. 67	Oct. 07, 2005	ASIA	30,000,000	1.134	305.20	0.550	19.23	34,020	16,500
Jih Sun No. 68	Oct. 26, 2005	CSC	100,000,000	0.373	28.65	0.110	6.99	37,300	11,000
Subtotal								559,120	301,350
Less: Loss on revaluation of liabilities for stock warrants issued								(274,989)	
Add: Deferred loss on stock warrant								17,219	
Total								\$ 301,350	

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

When the warrants are exercised, settlement can be either by paying stocks or cash.

Repurchase stock warrants other payables:

	December 31, 2005		
	Repurchased Units	Amount	Market Value
Jih Sun No. 56	525,000	\$ 11	5
Jih Sun No. 57	25,405,000	38,001	67,323
Jih Sun No. 58	16,875,000	11,577	4,050
Jih Sun No. 59	70,000	2	2
Jih Sun No. 60	973,000	86	127
Jih Sun No. 61	25,777,000	7,237	5,929
Jih Sun No. 62	55,104,000	41,290	57,859
Jih Sun No. 63	51,385,000	39,629	46,247
Jih Sun No. 64	23,848,000	3,352	2,146
Jih Sun No. 65	34,325,000	14,169	28,147
Jih Sun No. 66	72,543,000	11,026	2,902
Jih Sun No. 67	19,299,000	14,241	10,614
Jih Sun No. 68	34,001,000	8,754	3,740
Subtotal		189,375	229,091
Less: Loss on revaluation of Repurchased stock warrants		(26,811)	
Add: Gain on revaluation of Repurchased stock warrants		66,527	
Total		\$ 229,091	

(a) Credit risk:

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

(b) Market risk

Warrants are derivative financial instruments; its market risk is from price fluxions of the underlying stock. The market risk of could be hedged by adjust in the position of warrants and the hedging securities.

(c) Liquidity risk, cash-flow risk, and the uncertainty of amount and term of future cash demand

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

(d) Purpose of issuing stock warrants and the related strategy

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

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

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

(e) Type, purpose and strategy for holding derivative financial instruments

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

(f) Financial statement presentation of derivative financial instruments

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

② Transactions of futures and options

As of December 31, 2005 and 2004, the future contracts the Company held were as follows:

Items	Transaction Type	Holder/ Seller	Volume	Contract Amount	Fair Value	Notes
2005.12.31						
Options	Call options	Holder	7,000	\$ 10,788	11,479	Speculation
Options	Put options	Holder	14,740	16,919	16,322	"
Options	Put options	Holder	200	2	1	"
Options	Put options	Holder	1,100	17	28	"
Total			<u>23,040</u>	<u>\$ 27,726</u>	<u>27,830</u>	
Futures	Electronics index futures	Seller	251	\$ 287,361	291,060	"
Futures	Financial	Seller	50	44,774	44,700	"
Futures	Taiwan stock index futures	Seller	898	1,184,517	1,184,462	"
Options	Call options	Seller	8,739	53,572	78,787	"
Options	Put options	Seller	1,758	19,353	6,323	"
Options	Call options	Seller	196	2,372	4,012	"
Options	Put options	Seller	190	910	196	"
Options	Call options	Seller	50	-	4	"
Options	Put options	Seller	478	5	2	"
Total			<u>12,610</u>	<u>\$ 1,592,864</u>	<u>1,609,546</u>	

Items	Transaction Type	Holder/ Seller	Volume	Contract Amount	Fair Value	Notes
2004.12.31						
Futures	Financial	Holder	711	\$ 726,856	743,706	Speculation
Options	Call options	Holder	1,477	7,819	10,254	"
Options	Put options	Holder	2,269	3,885	2,009	"
Options	Call options	Holder	70	454	396	"
Options	Put options	Holder	28	173	124	"
Total			<u>4,555</u>	<u>\$ 739,187</u>	<u>756,489</u>	
Futures	Taiwan stock index futures	Seller	2,012	2,425,328	2,490,051	"
Futures	Electronics index futures	Seller	855	771,108	789,678	"
Options	Call options	Seller	2,691	4,547	5,953	"
Options	Put options	Seller	474	2,624	1,331	"
Options	Call options	Seller	551	1,485	1,409	"
Options	Put options	Seller	280	1,493	911	"
Total			<u>6,863</u>	<u>\$ 3,206,585</u>	<u>3,289,333</u>	

The above-mentioned fair value is calculated based upon the closing price of Taiwan Stock Index Futures on the Taiwan Futures Exchange as of December 31, 2005 and 2004.

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

(a) Credit risk

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

(b) Market value risk

Since the current underlying securities in the Republic of China are the Taiwan Stock Index Financial Index Futures and Electronics Index Futures and the underlying securities' price will fluctuate based upon the stock market trend, the Company has implemented stop loss points based upon the related risk, and the loss incurred should be within the expected range. Therefore, there is no significant market value risk.

(c) Liquidity risk, cash flow risk and uncertainty of amount and period of future cash demand

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

(d) Financial statement presentation of derivative financial instruments

Margin paid by the Company engage in futures and options transactions were recognized under assets as futures margin deposits. As of December 31, 2005 and 2004, futures and options transactions were as follows:

	<u>December 31, 2005</u>	<u>December 31, 2004</u>
Futures margin deposits	\$ 504,011	625,957
Call option-speculation	27,830	12,783
Liabilities of put option -speculation	89,325	24,149
	<u>2005</u>	<u>2004</u>
Gain(loss) on futures contracts-speculation	<u>\$ 284,267</u>	<u>(588,593)</u>
Unrealized loss on futures contracts	<u>\$ (3,570)</u>	<u>(66,444)</u>
Loss on options transactions	<u>\$ (208,071)</u>	<u>(53,617)</u>
Unrealized(loss) gain on options transactions	<u>\$ (13,008)</u>	<u>998</u>

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

③ Interest rate swap

The Company engaged in the financial derivative of interest swap to coordinate the Bonds investment position, the Company signed interest rate swap contracts for trading with banks and security companies. As of December 31, 2005 and 2004 the interest rate swap contracts held by the Company were as follows:

<u>Transaction counter-party</u>	<u>Transaction terms</u>	<u>Nominal</u>		<u>Floating</u>		<u>Settlement date</u>	<u>Expiration date</u>	<u>Purpose</u>
		<u>principal</u>	<u>Fix-rate</u>	<u>rate</u>	<u>index</u>			
KGI Securities Co.	Short position	\$ 300,000	2.800	90 days		Once a quarter	98.5.28	Trading
				(Secondary market)				
Capital Securities Corp.	"	300,000	2.750	"		"	98.5.29	"
H.S.B.C.	"	300,000	2.350	"		"	96.5.28	"
KGI Securities Co.	Long position	300,000	2.650	"		"	98.7.07	"
Chinatrust Commercial Bank	"	300,000	2.200	"		"	98.7.19	"
Chinatrust Commercial Bank	Short position	300,000	1.805	"		"	95.7.19	"
KGI Securities Co.	Long position	300,000	2.610	"		"	98.7.23	"
Barits Securities Corp.	"	300,000	2.210	"		"	96.7.26	"
Chinatrust Commercial Bank	Short position	300,000	2.240	"		"	96.7.30	"
Barits Securities Corp.	Short position	100,000	1.820	"		"	95.8.07	"
H.S.B.C.	Long position	300,000	2.180	"		"	96.8.13	"
H.S.B.C.	Short position	300,000	1.790	"		"	95.8.14	"
Fubon Bills Finance Co., Ltd.	Long position	200,000	2.070	"		"	96.8.20	"
Taishin International Bank	Short position	300,000	1.690	"		"	95.8.24	"
H.S.B.C.	Long position	300,000	2.025	"		"	96.9.03	"
KGI Securities Co.	"	300,000	2.580	"		"	98.10.19	"
Fubon Bills Finance Co., Ltd.	"	300,000	2.560	"		"	98.11.02	"
President Securities Corp.	"	300,000	2.090	"		"	96.11.12	"
Taishin International Bank	"	300,000	2.660	"		"	100.11.22	"
Polaris Securities Co., Ltd.	"	300,000	2.190	"		"	99.1.25	"
Capital Securities Corp.	"	300,000	2.180	"		"	99.2.23	"
KGI Securities Co.	"	300,000	2.090	"		"	99.3.01	"
Standard Chartered Bank	Short position	300,000	2.440	"		"	101.3.08	"
KGI Securities Co.	"	300,000	2.180	"		"	99.3.09	"
Fubon Bills Finance Co., Ltd.	"	300,000	2.230	"		"	99.3.15	"
Cathay United Bank	"	300,000	1.705	"		"	96.3.26	"
MasterLink Securities Co.	"	300,000	1.665	"		"	96.3.30	"
Standard Chartered Bank	Long position	300,000	2.155	"		"	99.4.19	"
President Securities Corp.	"	300,000	2.1425	"		"	99.4.29	"

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

<u>Transaction counter-party</u>	<u>Transaction terms</u>	<u>Nominal</u>		<u>Floating</u>	<u>Settlement date</u>	<u>Expiration date</u>	<u>Purpose</u>
		<u>principal</u>	<u>Fix-rate</u>	<u>rate index</u>			
President Securities Corp.	"	300,000	1.620	"	"	96.5.30	"
President Securities Corp.	Short position	300,000	1.595	"	"	96.5.03	"
Chinatrust Commercial Bank	Long position	400,000	-	IF 6L<0.6%, 6L+0.003% IF 0.6%<=6L<=2.5% , ,5.5% IF 6L>2.5% , 6.55%-6L	Once a half	99.10.13	"
Chinatrust Commercial Bank	"	200,000	-	IF 6L<0.6%, 6L+0.004% IF 0.6%<=6L<=2.5% ,5. 5% IF 6L>2.5% , 6.55%-6L	"	99.10.13	"
Chinatrust Commercial Bank	"	500,000	-	Year1 : 3% Thereafter : 4.0009%-6MLIBOR	"	99.4.07	"
Standard Chartered Bank	"	1,000,000	1.05	CPN=2.5to2004/11 ; thereafter(6ml+0.6%)* D/N 0.5Y:1.0%<6ml<2.0% 2Y:1.1%<6ml<2.5% 3Y:1.1%<6ml<3.0% 4Y:1.1%<6ml<3.5% 5Y:1.1%<6ml<4.0% 6Y:1.1%<6ml<4.5% 7Y:1.1%<6ml<5.0%	"	100.5.25	"
Standard Chartered Bank	"	400,000	0.43	6ml<1.05%,6ml ; 1.05%<6ml<2.10%, 3.40% ; 6ml>2.10%, 4.20%-6mL	"	98.2.16	"
H.S.B.C.	"	200,000	0.75	6ml<1.10%,6ml ; 1.10%<6ml<2.00%, 3.50% ; 6ml>2.00%, 4.70%-6ml	"	98.5.14	"

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

<u>Transaction counter-party</u>	<u>Transaction terms</u>	<u>Nominal</u>		<u>Floating</u>	<u>Settlement date</u>	<u>Expiration date</u>	<u>Purpose</u>
		<u>principal</u>	<u>Fix-rate</u>	<u>rate index</u>			
H.S.B.C.	"	200,000	0.28	6ml<1.05%,6ml ; 1.05%<6ml<2.10%, 3.40% ; 6ml>2.10%, 4.20%-6mL	"	98.2.16	"
ABN AMRO Bank	"	200,000	1.43	5.95% - 6mL	"	98.7.15	"
H.S.B.C.	"	300,000	0.83	6ml<1.10%,6ml ; 1.10%<6ml<2.00%, 3.50% ; 6ml>2.00%, 5.30%-6mL	"	97.12.24	"
Standard Chartered Bank	"	200,000	0.33	4.60% - 6ML	"	97.2.11	"
Standard Chartered Bank	"	200,000	0.21	6ml<1.05%,6ml ; 1.05%<6ml<2.10%, 3.40% ; 6ml>2.10%, 4.20%-6mL	"	98.2.16	"
Standard Chartered Bank	"	200,000	0.3	6ml<1.05%,6ml ; 1.05%<6ml<2.00%, 3.50% ; 6ml>2.00%, 4.40%-6mL	Once a quarter	98.2.16	"
H.S.B.C.	"	200,000	0.33	4.60% - 6ML	Once a half	97.2.11	"
H.S.B.C.	"	100,000	1.94	6.30% - 6ML	"	99.11.27	"
ABN AMRO Bank	"	300,000	0.53	6ml<1.10%, 6ml+0.003% ; 1.10%<6ml<2.00%, 3.8003% ; 6ml>2.00%, 4.7997%-6mL	"	98.3.03	"
H.S.B.C.	"	200,000	0.4	IF3ML<1.1%,2* 3ML-0.55% ; 1.1%<3ML<2.1%, 3.4% ; 3ML>2.1%,4.5%-3 ML	Once a quarter	98.3.04	"

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

<u>Transaction counter-party</u>	<u>Transaction terms</u>	<u>Nominal</u>		<u>Floating</u>		<u>Settlement date</u>	<u>Expiration date</u>	<u>Purpose</u>
		<u>principal</u>	<u>Fix-rate</u>	<u>rate</u>	<u>index</u>			
Standard Chartered Bank	"	200,000	0.57	6ml<1.10%, 6ml+0.005% ; 1.10%<6ml<2.00%, 3.8005% ; 6ml>2.00%, 4.7995%-6mL		Once a half	98.3.03	"
Taipeifubon Commercial Bank Co., Ltd	Short position	300,000	1.68	90 days (Secondary market)		Once a quarter	96.8.26	"
Taipeifubon Commercial Bank Co., Ltd	"	300,000	2.05	"		"	99.8.26	"
ABN AMRO Bank	Long position	500,000	0.82	5.20% - 6mL		Once a half	96.10.01	"
ABN AMRO Bank	"	100,000	0.73	IF6ML<1.05%,6ML ; 1.05%<6ML<2.0%, 4.5%; 6ML>2.0%,5.0% -6ML		"	98.9.25	"
Taipeifubon Commercial Bank Co., Ltd	Short position	300,000	1.68	90 days (Secondary market)		Once a quarter	96.8.29	"
Taipeifubon Commercial Bank Co., Ltd	"	300,000	2.045	"		"	99.8.29	"
MasterLink Securities Co.	"	300,000	1.685	"		"	96.8.30	"
Fubon Securities Co., Ltd.	Long position	300,000	2.0425	"		"	99.8.30	"
MasterLink Securities Co.	"	300,000	2.05	"		"	99.8.30	"
Fubon Securities Co., Ltd.	Short position	300,000	1.6825	"		"	96.8.30	"
Fubon Bills Finance Co., Ltd.	Long position	300,000	2.0	"		"	99.8.31	"
Taishin International Bank	"	300,000	2.0	"		"	99.8.31	"
President Securities Corp.	"	300,000	2.02	"		"	99.9.01	"
Taipeifubon Commercial Bank Co., Ltd	"	300,000	1.63	"		"	96.9.06	"
Taipeifubon Commercial Bank Co., Ltd	"	300,000	1.63	"		"	96.9.06	"

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

<u>Transaction counter-party</u>	<u>Transaction terms</u>	<u>Nominal</u>		<u>Floating</u>	<u>Settlement date</u>	<u>Expiration date</u>	<u>Purpose</u>
		<u>principal</u>	<u>Fix-rate</u>	<u>rate index</u>			
Cathay United Bank Company Limited	Short position	300,000	2.27	"	"	99.11.08	"
President Securities Corp.	"	300,000	2.265	"	"	99.11.08	"
KGI Securities Co.	"	300,000	2.195	"	"	99.11.11	"
Chinatrust Commercial Bank	"	300,000	-	1.6ML<1.05%, 6MLrate 2.1.05%≤6ML, 5%-6ML	Once a half	98.3.03	"
City Bank	Long position	500,000	0.25	6ml≤2.6%,2.6% 6ml>2.5%,max(4.9 %-6ml,0)	"	98.3.15	"

December 31, 2004

<u>Transaction party</u>	<u>Transaction terms</u>	<u>Nominal</u>	<u>Fixed</u>	<u>Floating</u>	<u>Settlement date</u>	<u>Expiration date</u>	<u>Purple</u>
		<u>Principal</u>	<u>Rate %</u>	<u>Rate index</u>			
KGI Securities Co.	Short position	\$ 300,000	2.800	90 days (Secondary market)	Once a quarter	98.5.28	Trading
Capital Securities Corp.	"	300,000	2.750	"	"	98.5.29	"
H.S.B.C.	"	300,000	2.350	"	"	96.5.28	"
KGI Securities Co.	Long position	300,000	2.650	"	"	98.7.07	"
China trust Commercial Bank	"	300,000	2.200	"	"	98.7.19	"
China trust Commercial Bank	Short position	300,000	1.805	"	"	95.7.19	"
KGI Securities Co.	Long position	300,000	2.610	"	"	98.7.23	"
Barits Securities Corp.	"	300,000	2.210	"	"	96.7.26	"
Chinatrust Commercial Bank	Short position	300,000	2.240	"	"	96.7.30	"
Barits Securities Corp.	Short position	100,000	1.820	"	"	95.8.07	"
H.S.B.C.	Long position	300,000	2.180	"	"	96.8.14	"
H.S.B.C.	Short position	300,000	1.790	"	"	95.8.14	"
FuBon Bill Finance Co., Ltd.	Long position	200,000	2.070	"	"	96.8.20	"
Taishin International Bank	Short position	300,000	1.690	"	"	95.8.24	"
H.S.B.C.	Long position	300,000	2.025	"	"	96.9.03	"
KGI Securities Co.	"	300,000	2.580	"	"	98.10.19	"
FuBon Bill Finance Co., Ltd.	Short position	300,000	2.560	"	"	98.11.02	"
President Securities Corp.	"	300,000	2.090	"	"	96.11.12	"
Taishin International Bank	Long position	300,000	2.660	"	"	100.11.22	"

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

(a) Credit risk

Credit risk arises when the transaction party is unable to follow the terms stated in the interest rate swap contract. The Company deals with banks and security companies with good credit and uses past experience to determine the maximum remittance amount that the transaction party will not likely default on the contracts. Therefore, the credit risk of these transactions is very low.

(b) Market risk

The purpose of signing interest rate swap contract to hedge against interest rate and cash flow risk of net assets. Since the interest rate swap and the fair value and cash flow of part assets are highly legatine correlated, so the market risk will be offset.

(c) Liquidity risk, cash-flow risk, and the uncertainty of amount and term of future cash demand

Term of future cash demand appears in the settlement date, and receives interest from nominal principal times the difference of interest rate. Since the amount is not large and not cash inflow or outflow of principal, there is not term of heavy future cash demand. The term of cash inflow or outflow usually is three months. Interest rate swap is the contract, which deals with opponent. Liquidity risk rose from early terminating the contracts before expiration and the amount rescindable value determined by the counter party.

(d) Type, purpose and strategy for holding derivative financial instruments

The Company engages in derivative financial instruments that major in matching transactions, structure transactions, and hedging transactions. The Company's changes profit will fluctuate with the market.

④ Convertible corporate bonds and asset swap options

(a) As of December 31, 2005 and 2004, the Company's convertible corporate bonds and asset swap options not yet due were as follows:

December 31, 2005						
	<u>Transaction</u>	<u>Term</u>	<u>Volume</u>	<u>Option cost</u> <u>(Premium liabilities)</u>	<u>Theory price</u> <u>Of option</u>	<u>Maturity date</u>
Short put	Metropolitan Construction-CB1		100	\$ <u>(700)</u>	<u>(122)</u>	May 6, 2006
"	PVI-CB1		200	\$ <u>(1,700)</u>	<u>(679)</u>	October 12, 2006
"	Port well Inc. -CB2		690	\$ <u>(2,760)</u>	<u>(26,805)</u>	November 14, 2007

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

December 31, 2004						
	Transaction	Term	Volume	Option cost	Theory price	Maturity date
				(Premium liabilities)	Of option	
Short put	Metropolitan Construction	-CB1	130	\$ <u>(520)</u>	<u>(182)</u>	May 7, 2005
"	"	"	100	\$ <u>(700)</u>	<u>(471)</u>	May 6, 2006
"	Quanta Display Inc.	-CB1	100	\$ <u>(200)</u>	<u>(61)</u>	April 22, 2005
"	PVI	-CB1	200	\$ <u>(1,700)</u>	<u>(1,543)</u>	October 12, 2006
"	PANRAM International Corp.	-CB1	498	\$ <u>(898)</u>	<u>(609)</u>	May 2, 2005
"	Port well Inc.	-CB2	1,560	\$ <u>(6,240)</u>	<u>(11,383)</u>	November 14, 2007
Assets swap option	Port well Inc.	-CB2	600	\$ <u>660</u>	<u>2,460</u>	November 21, 2007

(b) Credit risk

The Company received premiums when natural persons determine to buy asset swap options, so there is no credit risk of the transaction with natural persons. Credit risk arises when the transaction party is unable to follow the terms stated in the contract. The Company deals with banks or companies with good credit and uses past experience to determine the maximum remittance amount that the transaction party will not likely default on. Therefore, the credit risk is very low.

(c) Market risk

The position of interest risk arises from assets swap all included in the position of interest product to measure market risk. Exercise and theory price that belong to the position of options also valued periodically.

(d) Liquidity risk, cash-flow risk, and the uncertainty of amount and term of future cash demand

The purpose of the Company engaged in transactions of convertible corporate bonds asset swap is to raising the liquidity of convertible corporate bonds. For the part of interest rate swap, the Company receives or paid interest from nominal principal times the difference of interest rate. Since the amount is not large and not cash inflow or outflow of principal, there is not term of heavy future cash demand.

(e) Type, purpose and strategy for holding derivative financial instruments

The purpose of the Company engaged in the transactions of convertible corporate bonds asset swap and option is to distinguish convertible corporate bonds to earn fix price difference of to transfer, and the credit risk turn to opponents to achieve the hedging purpose.

⑤ Principal Guaranteed Product

(a) As of December 31, 2005, the Company does not held any position of principle guaranteed product not yet due.

December 31, 2005				
Transaction	Items	Principle	Option cost	Theory price of option
Equity linked notes		\$ <u>2,470</u>	<u>14</u>	<u>13</u>
Principal guaranteed product		\$ <u>33,000</u>	<u>58</u>	<u>31</u>

(b)

Credit risk

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

Before determining undertaking principal guaranteed product, the Company has received investor's premiums and is not undertaking credit risk from investors.

(c) Market risk

Market risk is rising from price fluctuation of underlying securities and can be hedged against by adjusting the hedging positions.

(d) Liquidity risk, cash-flow risk, and the uncertainty of amount and term of future cash demand

Before undertake principal guaranteed product, the Company has received premiums. So there is no large future cash demand risk.

(e) Type, purpose and strategy for holding derivative financial instruments

The Company undertakes principal guaranteed product for trading, purpose and records received premiums as liabilities on the year-end, and they will be evaluated under fair value, and recorded as current gain or loss of the year.

⑥ Presentation of financial derivative instruments – O.T.C. in the financial statements

(a) As of December 31, 2005 and 2004, the Company held positions of interest rate swap, interest options, convertible corporate bonds asset swap and structured notes. Presentation of financial derivative instruments in balance sheets were as follows:

	December 31, 2005	
	Assets of financial derivative Instruments-O.T.C	Liabilities of financial derivative instruments-O.T.C
IRS contract value	\$ 93,803	82,153
IRS contract value – assets swap	-	864
Bonds option - speculation	-	2,012
Liabilities of principal guaranteed product-option	-	31
Liabilities of principal guaranteed product-fixed income	-	32,942
Assets of equity-linked notes - options	13	-
Liabilities of equity-linked notes - premium	-	2,470
Call option of convertible bonds	3,960	-
Put option of convertible bonds	-	27,606
Deferred loss on financial assets	38,857	-

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

	December 31, 2004	
	Assets of financial derivative instruments-O.T.C	Liabilities of financial derivative instruments-O.T.C
IRS contract value	\$ 39,125	37,397
IRS contract value – assets swap	-	8,226
Assets swap option	2,460	-
Assets of equity-linked notes - options	725	-
Bonds option - speculation	93	-
Liabilities of equity-linked notes - premium	-	40,000
Deferred loss on equity-linked notes	174	-
Put option	-	14,249

(b) For the year ended December 31, 2005 and 2004, transactions of interest rate swap, interest options, convertible corporate bonds asset swap and structured notes held by the Company. Presentation of those income or loss rose from financial derivative instruments in statements of income were as follows:

	2005	2004
	Unrealized valuation gain (loss) on financial derivative instruments	Unrealized valuation gain (loss) on financial derivative instruments
IRS contract value	\$ 101,039	(1,906)
Assets swap option	16,294	801
IRS contract value – assets swap	(1,296)	(179)
Equity-linked notes	(1,568)	(191)
Bonds options	(3,672)	291
Principal guaranteed product-premium	(84)	17,162
	\$110,713	15,978

(4) Jih Sun Product Insurance Agent Co., Ltd.: None.

8. SIGNIFICANT CATASTROPHIC LOSSES

- (1) The Company: None.
- (2) Jih Sun International Bank Ltd.:None.
- (3) Jih Sun Securities Co., Ltd.:None.
- (4) Jih Sun Product Insurance Agent Co., Ltd.: None.

9. SUBSEQUENT EVENTS

- (1) The Company: None.
- (2) Jih Sun International Bank Ltd.:

The Securities had entered an engagement with Netbroker Co., Ltd on December 22, 2005. The Securities will assume Netbroker's operation right and partial properties with the purchasing price \$67,011. The proposal was agreed by the Securities' Board of Directors on December 12, 2005 and Shareholders' Meeting on January 12, 2006.

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

(3) Jih Sun Product Agent Co., Ltd.: None

10. OTHER

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

	December 31, 2005		
	Jih Sun International Bank, Ltd.	Jih Sun Securities Co., Ltd.	Jih Sun Product Insurance Agent Co., Ltd.
Current assets	\$67,821,182	46,392,395	14,118
Discounted bills and loans, net	191,286,546	-	-
Long-term equity investments	3,606,387	3,901,659	-
Property and equipment	5,536,617	2,211,483	130
Intangible assets and others	16,135,876	2,796,855	195
Securities brokerage debit account-net	-	77,146	-
Customer deposits	227,550,591	-	-
Other current liabilities	31,531,135	33,409,576	7,733
Long-term liabilities	11,087,300	2,992,880	-
Other liabilities	316,254	630,886	-
Common stock	19,247,600	11,572,127	3,000
Capital surplus	2,431	1,298,456	-
Retained earnings	(5,348,703)	5,465,023	3,710
Total assets	284,386,608	55,379,538	14,443
Total liabilities	270,485,280	37,033,342	7,733
Total stockholders' equity	13,901,328	18,346,196	6,710

	December 31, 2004		
	Jih Sun International Bank, Ltd.	Jih Sun Securities Co., Ltd.	Jih Sun Product Insurance Agent Co., Ltd.
Current assets	\$72,014,838	42,555,761	1,939
Discounted bills and loans, net	177,907,629	-	-
Long-term equity investments	3,161,428	3,761,777	-
Property and equipment	4,861,845	2,352,671	178
Intangible assets and others	11,461,792	1,997,980	195
Securities brokerage debit account-net	-	42,849	-
Customer deposits	220,782,392	-	-
Other current liabilities	25,903,521	26,685,637	571
Long-term liabilities	9,162,570	5,118,505	-
Other liabilities	61,274	296,748	-
Common stock	13,247,600	12,072,127	3,000
Capital surplus	2,431	2,298,456	-
Retained earnings	247,744	4,342,558	(1,259)
Total assets	269,407,532	50,711,038	2,312
Total liabilities	255,909,757	32,100,890	571
Total stockholders' equity	13,497,775	18,610,148	1,741

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

	From January 1 to December 31, 2005		
	Jih Sun	Jih Sun	Jih Sun Product
	International	Securities	Insurance Agent
	Bank, Ltd.	Co., Ltd.	Co., Ltd.
Operating revenues	\$13,866,976	5,186,809	17,063
Operating costs	14,099,120	622,289	8,762
Gross margin	(232,144)	4,564,520	8,301
Operating expenses	4,795,549	3,249,443	2,129
Income from operations	(5,027,693)	1,315,077	6,172
Non-operating revenues and benefits	367,506	354,860	19
Non-operating expenses and loss	929,317	155,118	-
Income before income taxes	(5,589,504)	1,514,819	6,191
Net income (loss)	(5,596,447)	1,435,990	4,968
Earnings per share	(3.62)	1.10	16.56

	From January 1 to December 31, 2004		
	Jih Sun	Jih Sun	Jih Sun Product
	International	Securities	Insurance Agent
	Bank, Ltd.	Co., Ltd.	Co., Ltd.
Operating revenues	\$12,164,442	6,495,976	34
Operating costs	7,512,098	1,882,393	2
Gross margin	4,652,344	4,613,583	32
Operating expenses	4,048,747	3,346,983	1,294
Income from operations	603,597	1,266,600	(1,262)
Non-operating revenues and benefits	349,495	349,558	3
Non-operating expenses and loss	210,058	220,480	-
Income before income taxes	743,034	1,395,678	(1,259)
Net income (loss)	747,132	514,678	(1,259)
Earnings per share	0.57	0.43	(4.20)

(2) 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:

(a) The Company paid securities registration and service fee (include computer printing fee) to the Securities were \$13,952 and \$13,522 in 2005 and 2004. The Company's balance of deposit in the Bank were \$2,081,038 and \$2,005 in 2005 and 2004. The top line balance were \$6,470,334 and \$394,619 in 2005 and 2004. Interest revenue were \$12,637 and \$43 in 2005 and 2004.

(b) The Securities charged to the Bank:

	2005	2004
Handling charges – dealers	\$ 2,954	6,245
Rental revenue	17,580	14,610
Securities registration and service fee	480	480
Revenue from management fee allocated	108,893	109,007

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

(c) The Securities' balance of repurchase and resale transactions of bonds and related interest expense and income for the Bank in 2005 and 2004:

	2005		2004	
	Interest	Ending balance	Interest	Ending balance
Liabilities of bonds with repurchase agreements	\$ 1,866	-	485	285,000
Investments of bonds with resale agreements	25,128	3,891,096	11,535	2,360,202

(d) The Securities' balance of deposit in the Bank were \$227,053 and \$469,870 in 2005 and 2004. The top line balance were \$1,305,823 and \$3,126,387 in 2005 and 2004. Interest revenue were \$5,044 and \$3,930 in 2005 and 2004.

(e) The Bank charged to the Securities:

	2005	2004
Rental revenue	\$ 5,607	5,867

B. The way of the subsidiaries allocated management fee were as follows:

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

(b) Paid with fixed amount.

(3) Information of Financial structure

	December 31, 2005			
	The Company	Securities	Bank	Product Insurance Agent
Risk-Based Capital Ratio	102.70%	256.00%	8.65%	46.46%
Liabilities to Assets Ratio	20.00%	202.00%	1,946%	115%

	December 31, 2004			
	The Company	Securities	Bank	Product Insurance Agent
Risk-Based Capital Ratio	119.90%	322.37%	10.06%	75.30%
Liabilities to Assets Ratio	966%	172%	1,896%	33%

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

Function Nature	2005			2004		
	Operating Cost	Operating Expenses	Total	Operating Cost	Operating Expenses	Total
Personnel Expense						
Salaries and wages	\$ -	158,577	158,577	-	41,848	41,848
Insurance expenses	-	4,448	4,448	-	1,655	1,655
Pension expenses	-	5,011	5,011	-	-	-
Other expenses	-	1,151	1,151	-	328	328
Depreciation	-	969	969	-	527	527
Depletion	-	-	-	-	-	-
Amortization	-	1,747	1,747	-	1,673	1,673

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

- (5) The Bank, after a bidding procedure made on January 27, 2005, won the tender offer of 6 billion dollars made by Taiwan Development & Trust Corporation to the Bank, thereby absorbing its trust department's operation, assets and liabilities excluding non performance loan, non operating real estate, foreclosed properties and exploitative assets. Until December 31, 2005, the operating and property conveyance agreement was compacted. Conveyance date and payday will be on August 6, 2005. As of August 6, 2005 the Bank has received 5.35 billion dollars and received other obligations on February 6, 2006.
- (6) Reclassification
Certain accounts in the 2004 financial statements have been reclassified for a comparative purpose.

11. SEGMENT FINANCIAL INFORMATION DISCLOSURE: NONE