

JIH SUN SECURITIES CO., LTD.

FINANCIAL STATEMENTS

DECEMBER 31, 2007 AND 2006
AND
INDEPENDENT AUDITORS' REPORT

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

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(English Translation)
JIH SUN SECURITIES CO., LTD.

FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

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(English Translation)
INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying balance sheets of Jih Sun Securities Co., Ltd. as of December 31, 2007 and 2006, and the related 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 our opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above the first paragraph present fairly, in all material respects, the financial position of Jih Sun Securities Co., Ltd. as of December 31, 2007 and 2006, and the results of its operations and cash flows for the years then ended, in conformity with the "Criteria Governing the Preparation of Financial Reports by Securities Firms", the "Criteria Governing the Preparation of Financial Reports by Futures Commission Merchants", "Business Entity Accounting Act", "Regulation on Business Entity Accounting Handling" and Republic of China generally accepted accounting principles.

As described in Note 3, commencing from January 1, 2006, the Company adopted the Republic of China Statements of Financial Accounting Standards (SFAS) No.34 "Financial Instruments: Recognition and Measurement" and SFAS No. 36 "Financial Instruments: Disclosure and Presentation". In accordance to SFAS No. 34, the financial assets and liabilities at the beginning of 2006 are required to be remeasured based on either fair value or net amortization cost. As the result of adoption of SFAS No. 34, the revaluation differences accounted for as cumulative effect of change in accounting principle amounted to \$339,566 thousand of December 31, 2006.

The Company has compiled the consolidated financial statements for the years 2007 and 2006 and we have issued a standard unqualified opinion and modified unqualified opinion with explanation paragraph, respectively.

Taipei, Taiwan, R.O.C.
January 28, 2008

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

JIH SUN SECURITIES CO., LTD.
BALANCE SHEETS
DECEMBER 31, 2007 AND 2006
(expressed in thousands of New Taiwan dollars)

ASSETS	DECEMBER 31,				LIABILITIES AND STOCKHOLDERS' EQUITY	DECEMBER 31,			
	2007		2006			2007		2006	
	Amount	%	Amount	%		Amount	%	Amount	%
CURRENT ASSETS					CURRENT LIABILITIES				
Cash and cash equivalents (Notes 2(E)&4)	\$ 1,084,789	2	1,432,951	2	Short-term loans (Notes 9)	\$ 3,455,000	6	7,175,000	11
Financial assets measured at fair value through profit or loss- current(Notes 2(F)&5)	18,975,208	34	25,340,221	40	Commercial papers payable, net (Note 10)	4,104,939	7	1,042,058	2
Investments in redeemable bonds (Notes 2(H)&6)	1,154,430	2	6,801,239	11	Liabilities of bonds with repurchase agreements (Notes 2(H)& 11)	15,791,061	28	25,945,144	41
Receivables from securities financing	22,341,004	40	18,847,308	30	Financial liabilities measured at fair value through profit or loss - current (Notes 2(N)& 12)	380,863	1	772,121	1
Securities refinance margin deposits	1,393	-	10,413	-	Financing securities guaranty deposits	1,264,580	2	1,737,112	3
Receivables from securities refinance	1,112	-	17,552	-	Financing securities guaranteed proceeds payable	1,416,575	3	1,960,113	3
Notes Receivable	437	-	7,874	-	Notes payable	-	-	6,216	-
Accounts Receivable	1,514,710	3	1,357,028	2	Accounts Payable	893,379	2	1,044,745	2
Accounts Receivable - related parties	13,730	-	15,567	-	Advance receipts	93,406	-	16,493	-
Prepayments	62,729	-	21,846	-	Receipts under custody	8,383	-	13,061	-
Other receivables	81,704	-	28,048	-	Other payables	2,558,152	5	1,481,411	2
Restricted assets -current(Notes 25)	1,436,500	3	1,859,316	3	long-term loans - current portion	-	-	1,989,011	3
Deferred income tax assets - current(Notes 2(R)&20)	4,334	-	4,334	-	Other financial liabilities - current	-	-	281,278	1
	<u>46,672,080</u>	<u>84</u>	<u>55,743,697</u>	<u>88</u>		<u>29,966,338</u>	<u>54</u>	<u>43,463,763</u>	<u>69</u>
FUNDS AND LONG-TERM INVESTMENTS					LONG-TERM LIABILITIES				
Long-term investment under equity method(Notes 2(K)&7)	2,929,233	5	2,728,074	4	Bonds payable (Note 13)	1,000,000	2	1,000,000	2
Available-for-sale financial assets- non-current(Notes 2(K) 、 7&25)	1,327,661	2	1,334,681	2	Long-term loans (Note 14)	4,195,959	8	-	-
	<u>4,256,894</u>	<u>7</u>	<u>4,062,755</u>	<u>6</u>		<u>5,195,959</u>	<u>10</u>	<u>1,000,000</u>	<u>2</u>
PROPERTY AND EQUIPMENT (Notes 2(I) 、 8&25)					OTHER LIABILITIES				
Land	1,259,205	2	1,259,205	2	Default indemnity reserve (Notes 2(O))	200,000	-	200,000	-
Buildings	568,404	1	568,404	1	Securities trading loss reserve (Notes 2(P))	8,430	-	23,296	-
Office equipment	944,679	2	981,178	2	Guaranty deposits-in	7,377	-	7,740	-
Prepayment for equipment	50,005	-	36,419	-	Accrued pension liabilities - non-current (Notes 2(Q)&17)	100,120	-	89,376	-
Leasehold improvements	469,677	1	499,755	1	Collection of securities underwritten	-	-	184,761	-
	<u>3,291,970</u>	<u>6</u>	<u>3,344,961</u>	<u>6</u>	Other (Note 15)	28,870	-	28,870	-
Less: Accumulated depreciation	(1,260,362)	(2)	(1,239,948)	(2)		<u>344,797</u>	<u>-</u>	<u>534,043</u>	<u>-</u>
	<u>2,031,608</u>	<u>4</u>	<u>2,105,013</u>	<u>4</u>	TOTAL LIABILITIES	<u>35,507,094</u>	<u>64</u>	<u>44,997,806</u>	<u>71</u>
INTANGIBLE ASSETS					STOCKHOLDERS' EQUITY				
Other intangible assets	86,225	-	119,870	-	Capital stock (Note 18)	11,572,127	21	11,572,127	18
					Capital surplus - premium on stock issuance	1,298,456	2	1,298,456	2
OTHER ASSETS					Retained Earnings				
Operating deposits	875,000	2	875,000	1	Legal reserve	1,391,897	2	1,242,009	2
Securities settlement fund	430,774	1	410,622	1	Special reserve	3,481,254	6	3,175,130	5
Guarantee deposits paid (Notes 25)	176,421	-	146,085	-	Unappropriated earnings(Note 19)	2,663,231	5	1,498,879	2
Deferred debits	55	-	72	-	Cumulative translation adjustments	(15,202)	-	(3,464)	-
Restricted assets - non-current (Note 25)	60,000	-	60,000	-	Unrealized loss on financial instruments	(9,182)	-	(6,348)	-
Deferred income tax assets-non- current(Notes 2(R)&20)	36,463	-	35,344	-	TOTAL STOCKHOLDERS' EQUITY	<u>20,382,581</u>	<u>36</u>	<u>18,776,789</u>	<u>29</u>
Cash and cash equivalents - collection of stock warrant's strike price	950	-	3,364	-					
Cash and cash equivalents - collection of securities underwritten	9	-	184,850	-	SIGNIFICANT COMMITMENTS AND CONTINGENCIES (Note 26)				
	<u>1,579,672</u>	<u>3</u>	<u>1,715,337</u>	<u>2</u>					
SECURITIES BROKERAGE DEBIT ACCOUNTS, NET (Note16)	<u>1,263,196</u>	<u>2</u>	<u>27,923</u>	<u>-</u>	TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$ 55,889,675</u>	<u>100</u>	<u>63,774,595</u>	<u>100</u>
TOTAL ASSETS	<u>\$ 55,889,675</u>	<u>100</u>	<u>63,774,595</u>	<u>100</u>					

(See the accompanying notes to the financial statements)

JIH SUN SECURITIES CO., LTD.
STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006
(expressed in thousands of New Taiwan dollars, except for earnings per share)

	2007		2006	
	Amount	%	Amount	%
REVENUES				
Securities brokerage commissions	\$ 4,034,535	43	2,769,882	37
Underwriting commissions	92,032	1	57,570	1
Gain on sale of securities - dealer	487,270	5	404,977	5
Gain on sale of securities - underwriter	243,347	3	53,383	1
Securities registration and service fee	45,894	-	45,970	1
Interest income	1,868,532	20	1,474,101	20
Dividend income	212,883	2	105,680	1
Valuation gain on operating securities - underwriter	-	-	98,872	1
Valuation gain on operating securities - hedge	39,527	-	-	-
Gain from short covering and securities transactions - RS short covering	21,884	-	14,143	-
Gain on issuance of stock warrants	523,232	6	142,409	2
Commission revenue for futures	165,700	2	190,406	3
Gain on financial derivative instruments - future	946,982	10	1,540,141	20
Gain on financial derivative instruments - O.T.C.	-	-	44,550	1
Other operating income	33,024	-	27,677	-
Non-operating income	719,994	8	542,654	7
	9,434,836	100	7,512,415	100
EXPENSES				
Handling charges				
Brokers	225,549	2	172,984	2
Dealers	15,530	-	19,848	-
Refinancing	194	-	715	-
Loss on sale of securities - hedging	362,568	4	80,155	1
Interest expense	376,560	4	368,177	5
Valuation loss on operating securities - dealer	22,002	-	317,781	4
Valuation loss on operating securities - underwriter	12,626	-	-	-
Valuation loss on operating securities - hedging	-	-	20,837	-
Expense for warrants issued	5,646	-	525	-
Clearing fee	2,686	-	6,213	-
Loss on financial derivative instruments - future	1,000,087	11	1,486,105	20
Loss on financial derivative instruments - O.T.C.	174,542	2	-	-
Operating expenses	3,411,020	36	3,281,380	44
Other operating expense	1,291	-	735	-
Non-operating expense	462,651	5	219,525	3
	6,072,952	64	5,974,980	79
INCOME (LOSS) FROM CONTINUING OPERATIONS				
BEFORE INCOME TAX	3,361,884	36	1,537,435	21
Income tax expense (Note 20)	698,653	7	378,122	5
Net income before Cumulative effect of changes in accounting principles	2,663,231	29	1,159,313	16
Cumulative effect of changes in accounting principles(Note 3)	-	-	339,566	5
NET INCOME	\$ 2,663,231	29	1,498,879	21
	Before income tax	After income tax	Before income tax	After income tax
Primary earnings (loss) per share (Note 21)				
Income from continuing operations	\$ 2.91	2.30	1.33	1.01
Cumulative effect of changes in accounting principles	-	-	0.29	0.29
Net income	\$ 2.91	2.30	1.62	1.30

(See the accompanying notes to the financial statements)

JIH SUN SECURITIES CO., LTD.
STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006
(expressed in thousands of New Taiwan dollars)

	<u>Retained Earnings</u>					<u>Cumulative translation adjustments</u>	<u>Unrealized loss on financial instruments</u>	<u>Total</u>
	<u>Capital stock</u>	<u>Capital Surplus</u>	<u>Legal reserve</u>	<u>Special reserve</u>	<u>Unappropriated earnings</u>			
Balance, January 1, 2006	\$ 11,572,127	1,298,456	1,098,410	2,930,970	1,435,643	10,590	-	18,346,196
Legal reserve	-	-	143,599	-	(143,599)	-	-	-
Special reserve	-	-	-	244,160	(244,160)	-	-	-
Cash dividend	-	-	-	-	(1,028,405)	-	-	(1,028,405)
Employee bonus	-	-	-	-	(10,479)	-	-	(10,479)
Compensation of directors and supervisors	-	-	-	-	(9,000)	-	-	(9,000)
Cumulative translation adjustments	-	-	-	-	-	(14,054)	-	(14,054)
Unrealized income (loss) of financial instruments	-	-	-	-	-	-	(6,348)	(6,348)
Net income for January 1 to December 31, 2006	-	-	-	-	1,498,879	-	-	1,498,879
Balance, December 31, 2006	<u>11,572,127</u>	<u>1,298,456</u>	<u>1,242,009</u>	<u>3,175,130</u>	<u>1,498,879</u>	<u>(3,464)</u>	<u>(6,348)</u>	<u>18,776,789</u>
Legal reserve	-	-	149,888	-	(149,888)	-	-	-
Special reserve	-	-	-	306,124	(306,124)	-	-	-
Cash dividend	-	-	-	-	(1,023,375)	-	-	(1,023,375)
Employee bonus	-	-	-	-	(10,492)	-	-	(10,492)
Compensation of directors and supervisors	-	-	-	-	(9,000)	-	-	(9,000)
Cumulative translation adjustments	-	-	-	-	-	(11,738)	-	(11,738)
Unrealized income (loss) of financial instruments	-	-	-	-	-	-	(2,834)	(2,834)
Net income for January 1 to December 31, 2007	-	-	-	-	2,663,231	-	-	2,663,231
Balance, December 31, 2007	<u>\$ 11,572,127</u>	<u>1,298,456</u>	<u>1,391,897</u>	<u>3,481,254</u>	<u>2,663,231</u>	<u>(15,202)</u>	<u>(9,182)</u>	<u>20,382,581</u>

(See the accompanying notes to the financial statements)

JIH SUN SECURITIES CO., LTD.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006
(expressed in thousands of New Taiwan dollars)

	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 2,663,231	1,498,879
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation	155,864	174,359
Amortization	44,186	38,891
Valuation loss (gain) on open-end mutual funds and money market instruments	42,674	(25,196)
Valuation loss (gain) on operating securities	(4,899)	239,746
Provision (reversal) for securities trading loss reserve	(14,866)	(1,334)
Investment gain- equity method	(215,731)	(150,048)
Loss on disposal of properties	8,170	19,988
Changes in operating assets and liabilities		
Financial assets measured at fair value through profit or loss - current	6,327,238	(1,779,940)
Investments in redeemable bonds	5,646,809	(1,042,538)
Receivables from securities financing, net	(3,493,696)	(5,208,832)
Securities refinance margin deposits	9,020	(374)
Receivables from securities refinance	16,440	(4,901)
Stock borrowing collateral price	-	4,472
Stock borrowing margin	-	4,015
Notes receivable	7,437	15,151
Accounts receivable	(155,845)	(483,281)
Prepayments	(40,883)	50,133
Other receivables	(53,656)	185,758
Deferred income tax assets - current and non-current	(1,119)	(15,311)
Cash and cash equivalents - collection of stock warrant's strike price	2,414	(528)
Cash and cash equivalents - collection of securities underwritten	184,841	117,914
Security brokerage debit (credit) accounts, net	(1,235,273)	49,223
Liabilities of bonds with repurchase agreements	(10,154,083)	5,053,575
Financial liabilities measured at fair value through profit or loss - current	(391,258)	491,018
Financing securities guaranty deposits	(472,532)	12,754
Financing securities guaranteed proceeds payable	(543,538)	(183,700)
Notes payable	(6,216)	(18,514)
Accounts payable	(151,366)	132,760
Advance receipts	76,913	(155,588)
Receipts under custody	(4,678)	44
Other payables	1,076,741	(371,009)
Other financial liabilities - current	(281,278)	245,866
Accrued pension liabilities	10,744	22,937
Collection of securities underwritten	(184,761)	(118,096)
Net cash used in operating activities	(1,132,956)	(1,201,707)

JIH SUN SECURITIES CO., LTD.
STATEMENTS OF CASH FLOWS (CONT'D)
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006
(expressed in thousands of New Taiwan dollars)

	2007	2006
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease (increase) in restricted assets - current	422,816	(1,369,306)
Decrease (increase) in available-for-sale financial assets - non-current	7,020	(31,450)
Acquisition of property and equipment	(91,316)	(98,194)
Proceeds from disposal of properties	93	570
Decrease in operating deposits	-	60,000
Increase in settlement fund	(20,152)	(25,527)
Decrease (increase) in refundable deposits-out	(30,336)	264,003
Increase in deferred debits, net	-	(72,382)
Increase in intangible asset , net	(9,930)	-
Decrease in restricted assets - non-current	-	600,000
Net cash provided by (used in) investing activities	278,195	(672,286)
CASH FLOWS FROM FINANCING ACTIVITIES		
(Decrease) Increase in short-term loans	(3,720,000)	3,035,000
Increase (Decrease) in commercial paper payable, net	3,062,881	(177,030)
Decrease in guaranty deposits-in	(363)	(350)
Increase (Decrease) in long-term loans	2,206,948	(3,869)
Cash dividend distributed	(1,023,375)	(1,028,405)
Compensation of directors and supervisors, and employee bonus	(19,492)	(19,479)
Net cash provided by financing activities	506,599	1,805,867
Net decrease in cash and cash equivalents	(348,162)	(68,126)
Cash and cash equivalents, beginning of period	1,432,951	1,501,077
Cash and cash equivalents, end of period	\$ 1,084,789	1,432,951
SUPPLEMENTARY DISCLOSURES OF CASH FLOW INFORMATION		
Interest paid during the year	\$ 397,782	173,226
Income tax paid during the year	\$ 404,905	657,719
INVESTING AND FINANCING ACTIVITIES WITH NO EFFECT ON CASH FLOWS		
Property and equipment transfer to deferred debits	\$ 594	9,747

(See the accompanying notes to the financial statements)

JIH SUN SECURITIES CO., LTD.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006

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

(1) ORGANIZATION AND OPERATIONS

Jih Sun Securities Co., Ltd. (the “Company”) was established in December 1961 and engages in the activities of securities brokerage, securities dealing, securities underwriting, securities financing, stock transaction handling, futures dealing, and auxiliary services for futures trading and stock warrant issuance.

In order to increase market share and competitiveness, the Board of Directors on April 22, 2002, resolved that the Company as the surviving company would merge with Yuan Xin Securities Co., Ltd., and upon the resolution of the Board of Directors’ meeting, the Company acquired the operating assets and operating rights of Hemei Securities Co., Ltd. and Toufen Securities Co., Ltd. As of December 31, 2007, the Company had established 47 branches.

Moreover, in order to extend the scale of operation and increase the synergy of financial institutions, the December 14, 2001, extraordinary shareholders’ meeting announced an exchange of shares with “Jih Sun International Bank Ltd.” and its transformation into a subsidiary of “Jih Sun Financial Holding Limited Co.” by transfer of shares on February 5, 2002, the date fixed for transfer of shares.

Parent company: Jih Sun Financial Holding Limited Co.

The number of employees : 1,889

(2) SIGNIFICANT ACCOUNTING POLICIES

The Company’s financial statements were prepared in accordance with the “Criteria Governing the Preparation of Financial Reports by Securities Firms”, the “Criteria Governing the Preparation of Financial Reports by Futures Commission Merchants”, “Business Entity Accounting Act”, “Regulation on Business Entity Accounting Handling”, and generally accepted accounting principles of the Republic of China. A summary of significant accounting policies and the measurement basis is as follows:

(A) Estimate of Accounting

The Company’s financial statements were prepared in accordance with generally accepted accounting principles. The company had to use the reasonable amount of estimation for allowance for doubtful accounts, pension, asset impairment, default indemnity reserve, securities trading loss reserve, etc. Because estimation was usually judged under the uncertain condition, it probably had the difference from future actual effect.

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

(B) Asset Impairment

Effective from 2005, the Company adopted Statement of Financial Accounting Standards No. 35 (SFAS No. 35) "Impairment of Assets". In accordance with SFAS No. 35, the Company assesses at each balance sheet date whether there is any indication that an asset (individual asset or cash-generating unit other than goodwill) may have been impaired. If any such indication exists, the Company estimates the recoverable amount of the asset. The Company recognizes impairment loss for an asset whose carrying value is higher than the recoverable amount.

The Company reverses an impairment loss recognized in prior periods for assets other than goodwill if there is any indication that the impairment loss recognized no longer exists or has decreased. 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.

(C) Foreign Currency Transactions and Translation of Foreign Currency Financial Statement

The non-derivative foreign currency transactions of the Bank are recorded at the rate of exchange prevailing on the date of the transaction. Monetary assets and liabilities denominated in foreign currency translated into the functional currency at the rate of exchange ruling at the balance sheet date. Any resulting exchange differences are included in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated into the functional currency using the rate of exchange at the date of the initial transaction. Non-monetary assets and liabilities measured at fair value in a foreign currency are translated into the functional currency using the rate of exchange ruling at the balance sheet date. Any exchange differences resulting from fair value variation through profit and loss are included in the income statement, and exchange differences resulting from fair value variation through equity are accounted for under equity adjustments. Foreign currency denominated assets and liabilities of overseas subsidiaries are translated at the spot rate on the balance sheet date. The foreign operating institutions with equity-method are all recorded by functional currency. The components of their stockholders' equity is translated at the historical rate with difference reflected as cumulative translation adjustments to stockholders' equity.

(D) Classification of Assets and Liabilities as Current or Non-current

Current assets are those which will be converted into cash or be used up in one year. Other assets are classified as non-current assets. Current liabilities are those which will be paid off in one year. Other liabilities are classified as non-current liabilities.

(E) Cash and Cash Equivalents

Cash and cash equivalents include cash, bank accounts, and short-term investments which could be converted to cash anytime and which do not have a significant level of market risk related to potential interest rate changes.

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

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

The company adopted SFAS No. 34 "Accounting for Financial Instruments" commencing from January 1, 2006. The company adopted transaction-date accounting for financial instrument transactions. At the beginning of recognition, financial instruments are evaluated at fair value.

Financial assets measured at fair value through profit or loss – current are classified as at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition.

Financial assets held for trading means financial instruments referred as trading purpose at the beginning of recognition. Financial assets - trading included the following:

- (a) The main purpose is to sell or repurchase in the short run.
- (b) Belongs to the part of identified financial instrument combination. The significant evidence reveal that combination would gain in the short run
- (c) Financial derivative instruments (except for financial guaranteed contract and derivative instruments of effective hedging)

Financial assets held for trading are securities that are bought and held principally for the purpose of selling them in the near term. In addition, they should be classified as open-end funds and money market instrument , trading securities and derivative instruments.

Trading securities are those that are bought from the dealer department or underwritten by the underwriting department and that have not been re-sold by the Company. Any trading securities that are under agreements to repurchase or restricted should be noted.

Financial assets at fair value through profit or loss, other than OTC stocks, shall be measured at their fair value, which is the market closing price at the balance sheet date.

If there is an increase in financial assets at fair value through profit or loss due to stock dividends received, the number of shares received shall be noted and the cost of investment shall be recalculated by applying the weighted-average method.

Financial assets at fair value through profit or loss which the Company classified on January 1, 2006, in compliance with SFAS No. 34, "Financial Instruments: Recognition and Measurement", cannot be reclassified again thereafter. On the other hand, those that do not belong to financial assets at fair value through profit or loss cannot be reclassified to this category.

(G) Financial Derivative instruments

As of December 31, 2007 and 2006, the company held the financial derivative instruments, and the accounting of the financial derivative instruments were as follows :

- (a) The transaction deposits or right fees which are paid or received from futures department which engages in futures – dealer and option transaction business and the amount of the change of guaranty deposits or right fee from unclosed position which

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

raises by evaluation day-to-day are recorded as the “Deposits for future transaction”, “Call options-speculation”, or “Put Options- speculation”, respectively. The settled difference from futures and option transaction business on closed position is regarded as current loss or gain, and the difference between settled price and averaged price on the part of unwrite off is regarded as current loss or gain.

(b) Interest rate swaps

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

(c) Convertible bonds asset swaps and options

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

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

(d) Equity-linked notes assets – options

Equity-linked notes assets – options were evaluated according to the fair value. The changes of fair value were processed in accordance with the following principle :

- (1) The increase of the fair value : the profit was recognized in the current period.
- (2) The decrease of the fair value : the loss was recognized in the current period.

The fair value of the options was computed according to the model of option valuation.

(e) Principal guaranteed product

Principal guaranteed product are the discounted value which is computed by projected interest rate (contract principal×guaranteed principal rate). The implied interest expenses of the discounted value which are amortized by interest method during the contract periods are regarded as loss or gain for principal guaranteed product.

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

(f) Bond options

The company recognizes the executable nominal principal of the option recorded by memo entries during the contract period which are evaluated by fair value method at the end of the period as current loss or gain. If because of the execution of option, the target bond needs to be received or be delivered, we should recognize revenue on sale of securities or acquired bond cost according to the fair value of the bond and the price which is calculated according to the rate of executing contract is recorded as receivable or payable.

(H) Investments in Redeemable Bonds and Liability of Bonds with Repurchase Agreements

The financing method is adopted to account for bond transactions with terms to redeem and repurchase. Sales of bonds with repurchase terms for financing purposes are recorded as "repurchaseable bonds payable." Upon execution of repurchase terms, the difference between the financing amount and repurchase price is recorded as interest expense. Purchases of redeemable bonds for financing purposes are recorded as "redeemable bond investments." Upon execution of redemption terms, the difference between the resale price and financing amount is recorded as interest income.

(I) Margin loans, financing securities, and refinancing

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

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

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

(J) Allowances for Doubtful Accounts

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

(K) Funds and Investments

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

(a) Long-term equity investments under the equity method

Long-term equity investments in listed companies are stated at the lower of cost or market value, if the Company owns less than 20% of the voting stock and lacks significant operational influence over the investees, unrealized loss thereon is recorded as a reduction in shareholders' equity. Long-term equity investments in non-listed companies that represent less than 20% of the investee's common stock ownership, are stated at cost. However, the investment is written down to reflect the market value and the resulting loss is recognized in the period of such a write-down if there is evidence indicating that a decline in the market value of such investment is other than temporary. Stock dividends are not recognized as income but treated as an increase in the number of shares held. Upon sale of long-term equity investments (accounted for under cost method), the difference between the weighted-average cost and selling price is accounted for as the resulting gain or loss.

Investments in equity securities are accounted for under the equity method if the Company owns 20% or more of the investee's voting shares and has significant operational influence over the investee. Gain or loss on sale of long-term equity investments is recognized upon sale, meanwhile capital surplus-non-subscription of newly issued investee shares have to be adjusted in the statement of income according to sales portion.

Majority-owned affiliates are accounted for under the equity method and combined into the consolidated financial statements. The consolidated financial statements are prepared semi-annually.

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

At each balance sheet date the fair value is remeasured and the resulting gain or loss from such remeasurement is recognized directly in equity. The carrying amount of the asset is reduced and impairment loss is recognized.

The non-public securities which are not majority-owned are classified as available-for-sale financial assets-non-current and valued at cost at period-end.

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

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

(L) Fixed Assets and Depreciation

Property and equipment are stated at cost and evaluated at cost less accumulated depreciation. Major additions, improvements, and replacements are capitalized, while repairs and maintenance are recorded as current expense when incurred. Gain/loss upon disposal of fixed assets is recognized currently.

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

Depreciation of property and equipment is calculated by the straight-line method over the estimated useful lives as stipulated by the government in the following schedule. For property and equipment still in use after full depreciation, estimated salvage value may continue to be depreciated over their estimated useful lives.

Buildings	10 to 55 years
Office equipment	3 to 10 years
Leasehold improvement	3 to 15 years

(M) Intangible Assets

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

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

1. Computer Software 3 – 5 years
2. Operating Right 5 years

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

The company adopted SFAS No. 34 "Accounting for Financial Instruments" commencing from January 1, 2006. The financial instruments the company held was financial assets at fair value through profit or loss.

The company adopted transaction-date accounting for financial instrument transactions. At the beginning of recognition, financial instruments are evaluated at fair value. Except for trading-purpose financial instruments, acquisition cost or issuance cost is added to the original recognized amount.

Financial liabilities measured at fair value through profit or loss are those whose changes in fair value are charged to the income statement.

Trading-purpose financial liabilities include the following:

- (a) Those sold principally for the purpose of repurchasing them in the near term.
- (b) Part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking.
- (c) Derivative liabilities.
- (d) Pecuniary and securities financing and refinancing.

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

- (e) The subsequent evaluation of the financial assets have been estimated at fair value and its fair value was negative. The subject was classified as financing securities, stock warrants, borrowing securities and derivative financial instruments, etc.

Proceeds received from issuing stock warrants are recorded as liabilities for issuance of call warrants in the accompanying non-consolidated balance sheets. These stock warrants are recorded as liabilities for issuance of call warrants to repurchase if the Company is allowed to repurchase those warrants from the market. Liabilities for issuance of call warrants and liabilities for issuance of call warrants to repurchase are valued at market value on the balance sheet date. The decrease in such liabilities is recognized as a gain on issuance of call warrants. As stipulated in SFC regulations, the increase in liabilities for issuance of call warrants is deferred but not recorded as a loss in the current period if such an increase is less than the unrealized gain on evaluation of operating securities – hedging.

The company use the fair-value method to recognize the income (or loss) before the stock warrants matured.

The issuer can take the cash settlement method if you do not exercise until the due date on the basis of NO.0920102843; if do not have the exercise-value, the call warrants will lose its efficiency. According to the exercise-value to exercise by cash, we need to add the market price of the call warrants. Then less the market price to recognize the revenue by moving-averaged method.

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

(O) Default Indemnity Reserve

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

(P) Securities Trading Loss Reserve

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

(Q) Pension Plan

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

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

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

Commencing from December 31, 1995, the Company adopted SFAS No. 18, "Accounting for Pensions", and computed unrecognized transitional net assets or net benefit obligations when this statement was first applied. Effective in 1996, the unrecognized transitional net assets or net benefit obligations are amortized on a straight-line basis over the average remaining service period of employees still in service and expected to receive benefits, and should be included in the net pension cost. If the average remaining service period is less than 15 years, however, the employer may elect to use 15 years for amortization purposes. The Labor Pension Act of R.O.C. ("the Act"), effective from July 1, 2005; adopts a defined contribution pension plan. In accordance with the Act, employees of the Company (who were hired before July 1, 2005) may elect to be subject to either the Act and maintain their seniority before the enforcement of the Act, or the pension mechanism of the Labor Standards Law. Employees who are hired by the Bank after July 1, 2005, are required to be covered by the pension plan as defined by the Act. For employees subject to this Act, the Company is required to make monthly cash contributions to the employees' individual pension accounts at the rate of not less than 6% of the employees' monthly wages and deposit the contribution in a personal retirement benefit account. However, the employee retirement plan maintained by the Company has not yet been amended to conform to this Act. Under SFAS No. 18 "Accounting for Pensions", an actuarial valuation of a pension asset or liability is performed on the balance sheet date, and a minimum pension liability is recorded in the financial statements based on difference between the accumulated benefit obligation and the fair value of plan assets. Net periodic pension cost recognized in accordance with SFAS No. 18 includes the current service cost, net transition asset or obligation, prior service cost and unrecognized gain (loss) on a pension plan which is amortized on straight-line basis over the expected average remaining service period of 15 years of the employees in accordance with the rules set by the SFB.

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

(R) Income Tax

The Company adopted Statement of Financial Accounting Standards No. 22, "Accounting for Income Tax", and recognizes deferred income tax liabilities for future taxable temporary differences and deferred income tax assets for future deductible temporary

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

differences, prior year loss carryforwards, and investment tax credits. The future realization of deferred income tax assets is assessed, and a valuation account, if needed, is provided accordingly.

After adopting the imputation tax method, 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 parent company, "Jih Sun Financial Holding Limited Co.", and its affiliate "Jih Sun International Bank Ltd." adopted the consolidated tax filing return principle to file the annual income tax return and make tax payment. With regard to the accounting policy under the consolidated tax filing return principle, the Company should comply with 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 between the parent company and subsidiaries are based on the consolidated tax filing return principle and should be recorded as "accounts receivable (payable)—related-party."

(S) Recognition of Revenue

Revenue is recognized when realized or deemed realizable and earned.

(T) Earnings per share

Earnings per share were calculated according to the weighted-average shares. In the case of capital increase through capitalization of retained earnings, capital surplus, or employee bonuses, EPS is retroactively adjusted, regardless of the period when such incremental shares remain outstanding.

(3) REASONS FOR AND EFFECT OF ACCOUNTING CHANGES

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

Effective January 1, 2006, the Bank adopted the Republic of China Statements of Financial Accounting Standards (SFAS) No. 34 "Financial Instruments: Recognition and Measurement". During initial recognition, financial assets and financial liabilities should be reclassified and measured with the fair value and amortized cost. As the result of adoption of SFAS No. 34, as of December 31, 2006 the revaluation differences accounted for as cumulative effect of change in accounting principle amounted to \$339,566.

(4) CASH AND CASH EQUIVALENTS

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

	December 31,	
	2007	2006
Bank accounts:		
Savings accounts	\$ 117,999	65,600
Checking accounts	22,600	9,735
Time deposits	600,000	-
Cash and cash equivalent:		
Commercial paper	344,190	1,357,616
Total	\$ 1,084,789	1,432,951

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

	December 31,	
	2007	2006
Open-end mutual funds and money market instruments	\$ 439,905	935,482
Operating securities - dealer	16,048,903	22,862,053
Operating securities - underwriter	908,609	861,695
Operating securities - hedging	841,838	230,471
Call options – speculation	13,967	10,733
Deposits for future transactions	721,986	332,526
Financial derivative instruments assets - O.T.C.	-	107,261
Total	\$ 18,975,208	25,340,221

Open-end mutual funds and money market instruments

	December 31,			
	2007		2006	
	Cost	Market Value	Cost	Market Value
Open-end mutual funds and money market instruments	\$ 451,331	439,905	904,234	935,482
Adjustment in value of open-end mutual funds and money market instruments	(11,426)		31,248	
Total	\$ 439,905		935,482	

OPERATING SECURITIES – DEALER

December 31,

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

	<u>2007</u>	<u>2006</u>
Listed stocks and bonds	\$ 1,688,310	2,316,922
Over-the-counter stocks and bonds	453,821	1,452,242
Emerging stocks	518,682	474,902
Government bonds	9,448,957	9,188,341
Corporate bonds	2,738,543	4,304,322
Financial bonds	1,188,307	5,091,039
Subtotal	<u>16,036,620</u>	<u>22,827,768</u>
Adjustments in value of operating securities - dealer	12,283	34,285
Net	<u>\$ 16,048,903</u>	<u>22,862,053</u>
Market value	<u>\$ 16,048,903</u>	<u>22,862,053</u>

As of December 31, 2007 and 2006, the operating securities-dealer amounted to \$13,605,800 thousand and \$14,567,065 thousand were provided for repurchase agreements.

OPERATING SECURITIES – UNDERWRITER

	<u>December 31,</u>	
	<u>2007</u>	<u>2006</u>
Listed stocks	\$ 351,034	266,904
Over-the-counter stocks and bonds	495,541	522,845
Unlisted stocks and bonds	27,433	24,719
Subtotal	<u>874,008</u>	<u>814,468</u>
Adjustments in value of operating securities - underwriter	34,601	47,227
Net	<u>\$ 908,609</u>	<u>861,695</u>
Market value	<u>\$ 908,609</u>	<u>861,695</u>

OPERATING SECURITIES – HEDGING

	<u>December 31,</u>	
	<u>2007</u>	<u>2006</u>
Listed stocks	\$ 745,925	204,678
Over-the-counter stocks	59,448	28,855
Subtotal	<u>805,373</u>	<u>233,533</u>
Adjustments in value of operating securities - hedging	36,465	(3,062)
Net	<u>\$ 841,838</u>	<u>230,471</u>
Market value	<u>\$ 841,838</u>	<u>230,471</u>

(6) INVESTMENT IN REDEEMABLE BONDS

	<u>December 31,</u>	
	<u>2007</u>	<u>2006</u>

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

Central Government Construction Bonds	\$ 274,183	5,920,992
Corporate bonds	-	259,426
Financial bonds	880,247	620,821
Total	<u>\$ 1,154,430</u>	<u>6,801,239</u>

These bonds were made available for resale at an agreed amount of \$1,179,077 thousand and \$6,817,482 thousand after December 31, 2007 and 2006, respectively.

(7) FUNDS AND LONG-TERM INVESTMENTS

(a) Long – term equity investment under equity method :

December 31, 2007		
Valuation by equity method	Ownership %	Amount
Jih Sun Futures Co., Ltd. (original investment cost \$618,268 thousand)	98.138	\$ 1,057,035
Jih Sun International Investment Holding Company Limited (original investment cost \$1,795,250 thousand (US\$54,600 thousand))	100.00	1,638,339
Jih Sun Securities Investment Consulting Co., Ltd. (original investment cost \$173,600 thousand)	100.00	66,015
Jih Sun Futures Management Co., Ltd. (original investment cost \$200,000 thousand)	100.00	167,844
Subtotal		<u>\$ 2,929,233</u>

December 31, 2006		
Valuation by equity method	Ownership %	Amount
Jih Sun Futures Co., Ltd. (original investment cost \$618,268 thousand)	98.138	\$ 996,800
Jih Sun International Investment Holding Company Limited (original investment cost \$1,795,250 thousand (US\$54,600 thousand))	100.00	1,490,232
Jih Sun Securities Investment Consulting Co., Ltd. (original investment cost \$173,600 thousand)	100.00	67,641
Jih Sun Futures Management Co., Ltd. (original investment cost \$200,000 thousand)	100.00	173,401
Subtotal		<u>\$ 2,728,074</u>

As of December 31, 2007 and 2006, loss or gain of valuation on investment by equity method and cumulative translation adjustment of foreign currency valuation were as follows:

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

	<u>2007</u>	<u>2006</u>
Jih Sun Futures Co., Ltd.		
- gain on investment	<u>\$ 178,942</u>	<u>171,057</u>
Jih Sun International Investment Holding Company Limited		
- gain on investment	\$ 162,679	49,397
- cumulative translation adjustment	(11,738)	(141,054)
- unrealized loss on available-for-sale financial assets	<u>(2,834)</u>	<u>(6,348)</u>
Total	<u>\$ 148,107</u>	<u>28,995</u>
Jih Sun Securities Investment Consulting Co., Ltd.		
- gain on investment	<u>\$ 2,951</u>	<u>5,164</u>
Jih Sun Futures Management Co., Ltd.		
- loss on investment	<u>\$ (5,557)</u>	<u>(7,477)</u>

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

December 31, 2007		
<u>Available-for-sale financial assets non-current</u>	Ownership %	Amount
Taiwan Stock Exchange Corporation	3.00	\$ 586,067
Taiwan Securities Central Depository Co., Ltd.	1.74	43,789
Taiwan Futures Exchange Co., Ltd.	0.74	15,212
Fubon Securities Finance Co., Ltd.	1.97	74,542
Global Securities Finance Corporation	0.88	57,832
En Tie Securities Finance Co., Ltd.	0.24	12,444
Top Taiwan III Venture Capital Co., Ltd.	10.00	100,000
Parawin Venture Capital Corp.	6.00	60,000
Jih Sun Securities Investment Trust Co., Ltd.	10.00	74,880
Cotillion III Venture Capital Corp.	9.96	50,000
PK III Venture Corp.	9.29	65,000
Jih Sun Securities Investment Trust Corp.	5.00	22,500
Taiwan Integrated Shareholder Service Company	5.27	15,395
Hui Yang Venture Capital Group	7.50	150,000
Subtotal		<u>\$ 1,327,661</u>

December 31, 2006		
<u>Available-for-sale financial assets non-current</u>	Ownership %	Amount
Taiwan Stock Exchange Corporation	3.00	\$ 586,067
Taiwan Securities Central Depository Co., Ltd.	1.74	43,789
Taiwan Futures Exchange Co., Ltd.	0.74	15,212
Fubon Securities Finance Co., Ltd.	1.97	74,542
Global Securities Finance Corporation	0.88	57,832
En Tie Securities Finance Co., Ltd.	0.24	12,444

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

Top Taiwan III Venture Capital Co., Ltd.	10.00	100,000
Parawin Venture Capital Corp.	6.00	60,000
Jih Sun Securities Investment Trust Co., Ltd.	10.00	74,880
Cotillion III Venture Capital Corp.	9.96	50,000
PK III Venture Corp.	9.29	65,000
Jih Sun Venture Capital Corp.	5.00	29,520
Taiwan Integrated Shareholder Service Company	5.27	15,395
Hui Yang Venture Capital Group	7.50	150,000
Subtotal		<u><u>\$ 1,334,681</u></u>

(8) FIXED ASSETS

<u>December 31, 2007</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net</u>
Land	\$ 1,259,205	-	1,259,205
Buildings	568,404	179,292	389,112
Office equipment	944,679	744,232	200,447
Prepayment for equipment	50,005	-	50,005
Leasehold improvements	469,677	336,838	132,839
Total	<u><u>\$ 3,291,970</u></u>	<u><u>1,260,362</u></u>	<u><u>2,031,608</u></u>

<u>December 31, 2006</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net</u>
Land	\$ 1,259,205	-	1,259,205
Buildings	568,404	168,309	400,095
Office equipment	981,178	739,041	242,137
Prepayment for equipment	36,419	-	36,419
Leasehold improvements	499,755	332,598	167,157
Total	<u><u>\$ 3,344,961</u></u>	<u><u>1,239,948</u></u>	<u><u>2,105,013</u></u>

(9) SHORT-TERM LOANS

<u>Nature of the loan</u>	<u>Amount</u>	<u>Interest rate</u>	<u>Credit line</u>	<u>Pledged assets</u>
<u>December 31, 2007</u>				
Credit loans	\$ 1,140,000	2.65%~3.23%	3,100,000	-
Mortgage loans	2,315,000	2.39%~3.1%	4,790,000	Time deposits and demand deposits
Total	<u><u>\$3,455,000</u></u>			

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

<u>December 31, 2006</u>						
Credit loans	\$ 2,710,000	1.77%~2.075%	3,170,000		-	
Mortgage loans	4,465,000	1.72%~2.00%	6,385,000	Long-term investments and time deposits		
Total	<u>\$7,175,000</u>					

(10) COMMERCIAL PAPER PAYABLE—NET

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

The issuance period for commercial paper payable is within 365 days. The annual interest rates ranged from 1.3% to 4.65% and 1.03% to 2.674% during the years ended December 31, 2007 and 2006, respectively.

(11) LIABILITIES OF BONDS WITH REPURCHASE AGREEMENTS

	<u>December 31,</u>	
	<u>2007</u>	<u>2006</u>
Central Government Construction Bonds	\$ 10,732,813	15,458,535
Corporate bonds	2,947,697	4,647,943
Financial bonds	2,110,551	5,838,666
Total	<u>\$ 15,791,061</u>	<u>25,945,144</u>

Based on the repurchase agreements, after December 31, 2007 and 2006, the Company is obligated to repurchase the above bonds at the sales price plus a mark-up of \$1,583,211 thousand and \$25,988,261 thousand, respectively.

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

	<u>December 31,</u>	
	<u>2007</u>	<u>2006</u>
Redeemable bonds - financing securities	\$ -	542,668

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

Redeemable bonds - adjustments in value of financing securities	-	257
Liabilities for stock warrants issued	1,038,706	385,720
Repurchased stock warrants	(888,439)	(293,370)
Other current liabilities – put options	123,026	56,945
Financial derivative instruments liabilities - O.T.C	107,570	79,901
Total	\$ 380,863	772,121

LIABILITIES FOR STOCK WARRANTS ISSUED

For the Year Ended December 31, 2007, the company issued liabilities for stock warrants :

December 31,2007									
Name	Issuance Date	Underlying Stock	Units Issued	Issuance Price (Dollars)	Exercise Price (Dollars)	Market Value (Dollars)	Leverage Ratio	Issuance Amount	Market Value (Amount)
Jih Sun No. 76	Apr. 12, 2007	AUO	20,000,000	\$ 1.014	78.30	0.830	10.30	20,280	16,600
Jih Sun No. 77	Apr. 18, 2007	Inotera	30,000,000	0.975	56.85	0.010	7.78	29,250	300
Jih Sun No. 78	Apr. 25, 2007	HTC	35,000,000	0.795	735.75	1.430	6.173	27,261	49,035
Jih Sun No. 79	May 9, 2007	CMC	20,000,000	1.125	14.85	0.550	8.80	22,500	11,000
Jih Sun No. 80	May 17, 2007	CHB	20,000,000	1.473	28.65	0.010	12.97	29,460	200
Jih Sun No. 81	May 18, 2007	EVA AIR	20,000,000	1.125	19.05	0.170	11.29	22,500	3,400
Jih Sun No. 82	May 22, 2007	CCI	20,000,000	1.672	141.30	0.030	5.63	33,440	600
Jih Sun No. 83	May 23, 2007	Kimpo Electronic, Inc.	20,000,000	1.214	18.67	0.020	10.30	24,280	400
Jih Sun No. 84	May 24, 2007	SKFH	30,000,000	0.756	52.20	0.010	9.20	22,680	300
Jih Sun No. 85	May 30, 2007	Shinkong Synthetic	20,000,000	1.393	16.80	0.010	8.04	27,860	200
Jih Sun No. 87	June 6, 2007	NAN YA PLASTIC	20,000,000	1.951	97.65	5.550	16.70	37,284	106,061
Jih Sun No. 88	June 6, 2007	Far Eastern Textile	20,000,000	1.333	45.00	1.710	11.25	26,660	34,200
Jih Sun No. 89	June 8, 2007	MXIC	20,000,000	1.822	20.92	1.050	7.66	36,440	21,000
Jih Sun No. 90	June 8, 2007	Wintek	25,000,000	1.095	50.25	0.870	6.12	27,375	21,750
Jih Sun No. 91	June 14, 2007	ASIA Optical	20,000,000	1.393	237.00	0.010	11.34	27,860	200
Jih Sun No. 95	June 22, 2007	Sonix	20,000,000	1.343	145.50	0.010	7.22	26,860	200
Jih Sun No. 96	June 22, 2007	Cathay Financial Holdings	20,000,000	1.115	117.15	0.010	14.00	22,300	200
Jih Sun No. 97	June 27, 2007	CHIA HSIN CEMENT CORP.	20,000,000	\$ 1.343	35.10	0.010	8.90	26,860	200
Jih Sun No. 98	June 27, 2007	MediaTek Inc.	20,000,000	4.828	772.50	0.010	10.54	96,560	200
Jih Sun No. 99	July 5, 2007	Unitech	20,000,000	1.752	49.50	0.010	9.40	35,040	200
Jih Sun No. P5	Apr. 30, 2007	WAFER WORKS CORP.	12,000,000	2.159	150.75	7.250	4.66	25,908	87,000

December 31,2007									
Name	Issuance Date	Underlying Stock	Units Issued	Issuance Price (Dollars)	Exercise Price (Dollars)	Market Value (Dollars)	Leverage Ratio	Issuance Amount	Market Value (Amount)
Jih Sun No. P6	May 7, 2007	Etron Technology, Inc.	25,000,000	1.025	57.75	0.010	7.52	25,625	250
Jih Sun No. P7	May 10, 2007	FEC	20,000,000	1.144	750.00	0.350	0.229	22,880	7,000
Jih Sun No. P8	May 11, 2007	PXI	25,000,000	0.975	715.50	0.010	4.902	24,375	250
Jih Sun No. P9	May 25, 2007	ITEQ	30,000,000	1.433	58.20	0.050	5.42	42,990	1,500
Jih Sun No. Q2	May 29, 2007	Phison	35,000,000	0.866	567.00	0.010	4.637	30,310	350
Jih Sun No. Q4	June 7, 2007	CMEI	7,000,000	4.171	376.50	0.010	6.02	29,197	70

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

Jih Sun No. Q5	June 7, 2007	AAT	6,000,000	4.031	418.50	0.010	6.92	24,186	60
Jih Sun No. Q9	June 29, 2007	Simplo Technology	15,000,000	2.319	280.50	0.010	8.06	34,785	150
Jih Sun No R1	June 29, 2007	CHIPBOND	15,000,000	1.941	71.85	0.010	12.35	29,115	150
Jih Sun No R2	July 4, 2007	AIT	15,000,000	1.662	37.65	0.020	7.55	24,930	300
Jih Sun No R3	July 4, 2007	CCI	15,000,000	1.712	84.15	0.010	6.56	25,680	150
Jih Sun No R4	July 6, 2007	WAFER WORKS CORP	12,000,000	2.946	259.50	0.030	5.872	35,352	360
Jih Sun No R5	July 6, 2007	XAC	15,000,000	1.562	84.00	0.010	7.17	23,430	150
Jih Sun No R6	July 13, 2007	CHL Cheng Enterprise	15,000,000	1.602	153.75	0.020	6.398	24,030	300
Jih Sun No R7	July 13, 2007	TSMT	20,000,000	1.991	124.50	0.010	8.338	39,820	200
Jih Sun No R8	July 20, 2007	Motech	5,000,000	5.175	616.50	0.090	7.942	25,875	450
Jih Sun No R9	July 20, 2007	Chenfull	12,000,000	1.712	86.25	0.010	6.717	20,544	120
Jih Sun No A1	July 5, 2007	OSE	20,000,000	1.085	21.30	0.010	6.55	21,700	200
Jih Sun No A2	July 19, 2007	KYE	20,000,000	1.254	89.25	0.010	9.49	25,080	200
Jih Sun No A3	July 19, 2007	Taiwan Business Bank	20,000,000	1.015	17.25	0.040	11.33	20,300	800
Jih Sun No A4	July 26, 2007	Yuanta Group	25,000,000	1.403	33.82	0.180	8.036	35,075	4,500
Jih Sun No A5	July 26, 2007	China Airlines	20,000,000	1.045	23.55	0.090	15.024	20,900	1,800
Jih Sun No A6	Aug. 2, 2007	Tatung	25,000,000	0.965	25.50	0.050	8.808	24,125	1,250
Jih Sun No A7	Aug. 14, 2007	YULON	25,000,000	0.826	58.13	0.040	9.383	20,650	1,000
Jih Sun No A8	Aug. 14, 2007	RUENTEX	30,000,000	0.885	46.05	0.080	6.938	26,550	2,400
Jih Sun No A9	Aug. 23, 2007	Quanta	20,000,000	1.224	77.40	0.070	8.431	24,480	1,400
Jih Sun No S1	July 27, 2007	YUFO Electronic	15,000,000	1.751	110.70	0.060	8.429	26,265	900
Jih Sun No S2	July 27, 2007	ENFIELD MEDICAL CO., LTD.	15,000,000	1.861	117.00	0.030	8.383	27,915	450
Jih Sun No S3	Aug. 27, 2007	CMEI	8,000,000	3.135	267.75	0.010	5.694	25,080	80
Jih Sun No S4	Aug. 27, 2007	SDTI	7,000,000	2.258	162.00	0.050	4.783	15,806	350
Jih Sun No S5	Sept. 4, 2007	SAS	20,000,000	0.775	432.00	0.450	3.716	15,500	9,000
Jih Sun No S6	Sept. 4, 2007	WAFER WORKS CORP.	8,000,000	4.926	354.00	0.840	4.791	39,408	6,720
Jih Sun No S7	Nov. 7, 2007	FEC	5,000,000	7.265	639.75	4.270	5.871	36,325	21,350
Jih Sun No S8	Nov. 7, 2007	PXI	5,000,000	4.279	405	2.990	6.310	21,395	14,950
Jih Sun No B1	Aug. 23, 2007	MOSEL VITELIC INC.	25,000,000	0.945	71.48	0.020	5.042	23,625	500
Jih Sun No B2	Aug. 30, 2007	HTC	35,000,000	0.716	618.00	0.980	5.754	25,060	34,300
Jih Sun No B3	Aug. 30, 2007	HTC	20,000,000	0.646	206.00	0.080	6.378	12,920	1,600
Jih Sun No B4	Sept. 10, 2007	U-Ming	20,000,000	1.751	153.00	0.470	5.825	35,020	9,400
Jih Sun No B5	Sept. 10, 2007	YIEH PHUI	25,000,000	0.836	21.00	0.040	8.372	20,900	1,000
Jih Sun No B6	Sept. 13, 2007	REALTEK	20,000,000	2.488	247.50	0.330	7.708	49,760	6,600
Jih Sun No B7	Sept. 13, 2007	NOVATEK	20,000,000	1.771	204.75	0.200	6.632	35,420	4,000
Jih Sun No B8	Sept. 17, 2007	AUO	20,000,000	1.051	74.45	1.520	9.911	20,300	30,400
Jih Sun No B9	Sept. 17, 2007	SKFH	25,000,000	0.816	45.75	0.130	7.475	20,400	3,250
Jih Sun No C1	Sept. 26, 2007	CMO	20,000,000	1.493	52.80	2.020	11.788	29,860	40,400
Jih Sun No C2	Sept. 26, 2007	CHUNG HUNG	25,000,000	0.885	25.58	0.290	9.633	22,125	7,250
Jih Sun No C3	Sept. 26, 2007	CPDC	20,000,000	1.025	23.78	0.080	7.732	20,500	1,600
Jih Sun No C4	Sept. 26, 2007	ZINWELL	20,000,000	2.737	221.25	0.390	5.389	54,740	7,800
Jih Sun No C5	Sept. 28, 2007	Taiwan Cement Corporation	20,000,000	1.672	77.55	0.420	6.184	33,440	8,400
Jih Sun No C6	Sept. 28, 2007	CMFC	20,000,000	1.413	21.15	0.290	4.989	28,260	5,800
Jih Sun No C7	Sept. 28, 2007	EPISTAR	20,000,000	2.209	244.50	0.490	7.379	44,180	9,800
Jih Sun No C8	Oct. 4, 2007	APC	20,000,000	1.881	30.45	1.070	5.396	37,620	21,400
Jih Sun No C9	Oct. 4, 2007	FH	20,000,000	1.642	82.50	0.850	6.699	32,840	17,000
Jih Sun No D1	Oct. 4, 2007	ECS	20,000,000	1.990	30.68	0.160	5.138	39,800	3,200
Jih Sun No D2	Oct. 4, 2007	WAN HAI LINES LTD.	20,000,000	1.861	41.93	0.900	7.509	37,220	18,000
Jih Sun No D3	Oct. 22, 2007	ASUS	20,000,000	1.473	145.50	0.220	13.171	29,460	4,400

December 31, 2007

Name	Issuance Date	Underlying Stock	Units Issued	Issuance Price (Dollars)	Exercise Price (Dollars)	Market Value (Dollars)	Leverage Ratio	Issuance Amount	Market Value (Amount)
Jih Sun No D4	Oct. 22, 2007	HTC	20,000,000	5.972	940.50	0.740	10.499	119,440	14,800
Jih Sun No D5	Oct. 26, 2007	ASE	20,000,000	1.741	55.57	0.450	10.641	34,820	9,000
Jih Sun No D6	Oct. 26, 2007	MiTAC	20,000,000	1.244	62.25	0.300	6.673	24,880	6,000
Jih Sun No D7	Dec. 7, 2007	MediaTek Inc.	20,000,000	5.573	641.25	4.500	7.761	111,460	90,000
Jih Sun No D8	Dec. 7, 2007	HON HAI PRECISION	20,000,000	2.090	308.25	2.650	9.833	41,800	53,000

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

Jih Sun No D9	Dec. 7, 2007	CMO	20,000,000	2.448	66.75	3.610	9.090	48,960	72,200
Jih Sun No E1	Dec. 7, 2007	Cathay Financial Holdings	20,000,000	1.363	106.05	1.300	10.375	27,260	26,000
Jih Sun No E2	Dec.13, 2007	GIGA-BYTE TECHNOLOGY	20,000,000	1.025	31.87	1.400	10.366	20,500	28,000
Jih Sun No E3	Dec.13, 2007	SUNPLUS	20,000,000	1.303	78.75	1.620	8.059	26,060	32,400
Jih Sun No E4	Dec.13, 2007	ASIA OPTICAL	20,000,000	1.254	133.20	1.940	14.163	25,080	38,800
Subtotal								2,692,046	<u><u>1,038,706</u></u>
Less: Loss on revaluation of liabilities for stock warrants issued								(1,904,403)	
Add: Deferred loss on stock warrant								251,063	
Net								<u><u>1,038,706</u></u>	

For the year ended December 31, 2007, Jih Sun No. 78 had executed 710,000 unit, and Jih Sun No. 87 had executed 890,000 unit.

<u>December 31, 2006</u>									
<u>Name</u>	<u>Issuance Date</u>	<u>Underlying Stock</u>	<u>Units Issued</u>	<u>Issuance Price (Dollars)</u>	<u>Exercise Price (Dollars)</u>	<u>Market Value (Dollars)</u>	<u>Leverage Ratio</u>	<u>Issuance Amount</u>	<u>Market Value (Amount)</u>
Jih Sun No. 69	Sep.25, 2006	FCFC	20,000,000	\$ 1.608	60.37	0.900	30.03	32,160	18,000
Jih Sun No. 70	Oct.18, 2006	HTC	20,000,000	7.964	1231.50	2.630	10.31	159,280	52,600
Jih Sun No. 71	Nov. 3, 2006	CHUNG HUNG	20,000,000	2.148	27.82	1.950	8.64	42,960	39,000
Jih Sun No. 72	Nov. 9, 2006	KIMPO	20,000,000	1.081	18.00	1.590	11.10	21,620	31,800
Jih Sun No. 73	Nov.16, 2006	FOXLINK	40,000,000	1.162	172.50	1.160	9.90	46,480	46,400
Jih Sun No. 74	Dec.15, 2006	HTC	20,000,000	6.700	1005.00	6.900	10.00	134,000	138,000
Jih Sun No. P2	Nov. 29, 2006	Phison	8,000,000	3.535	358.50	4.800	6.76	28,280	38,400
Jih Sun No. P3	Nov.30, 2006	Career Tech	8,000,000	2.635	39.60	2.690	10.02	21,080	21,520
Subtotal								485,860	<u><u>385,720</u></u>
Less: Loss on revaluation of liabilities for stock warrants issued								(124,880)	
Add: Deferred loss on stock warrant								24,740	
Net								<u><u>385,720</u></u>	

REPURCHASED STOCK WARRANTS

<u>December 31, 2007</u>			
	<u>Repurchased Units</u>	<u>Amount</u>	<u>Market Value</u>
Jih Sun No. 76	2,343,000	1,798	1,944
Jih Sun No. 77	19,761,000	5,863	198
Jih Sun No. 78	23,759,000	42,915	33,975
Jih Sun No. 79	14,795,000	59,743	8,137
Jih Sun No. 80	1,271,000	47	13
Jih Sun No. 81	25,000	6	4
Jih Sun No. 82	15,405,000	2,631	462
Jih Sun No. 83	6,892,000	3,754	137
<u>December 31, 2007</u>			
	<u>Repurchased Units</u>	<u>Amount</u>	<u>Market Value</u>
Jih Sun No. 84	5,693,000	78	57
Jih Sun No. 85	16,895,000	3,175	169
Jih Sun No. 87	18,518,000	70,294	102,775
Jih Sun No. 88	18,938,000	61,459	32,384
Jih Sun No. 89	826,000	1,438	867

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

Jih Sun No. 90	18,655,000	16,283	16,229
Jih Sun No. 91	1,348,000	48	13
Jih Sun No. 95	15,580,000	2,146	156
Jih Sun No. 96	15,116,000	5,864	151
Jih Sun No. 97	17,040,000	15,340	170
Jih Sun No. 98	3,819,000	46	38
Jih Sun No. 99	10,353,000	4,267	103
Jih Sun No. P5	10,807,000	88,540	78,351
Jih Sun No. P6	13,120,000	2,280	131
Jih Sun No. P7	10,594,000	19,163	3,708
Jih Sun No. P8	6,987,000	257	70
Jih Sun No. P9	23,286,000	22,297	1,164
Jih Sun No. Q2	18,408,000	11,653	184
Jih Sun No. Q4	687,000	7	7
Jih Sun No. Q5	1,469,000	16	15
Jih Sun No. Q9	7,372,000	532	74
Jih Sun No. R1	11,643,000	2,412	116
Jih Sun No. R2	9,633,000	3,233	193
Jih Sun No. R3	10,479,000	342	105
Jih Sun No. R4	3,252,000	56	98
Jih Sun No. R5	9,776,000	2,467	98
Jih Sun No. R6	12,416,000	1,658	248
Jih Sun No. R7	16,721,000	2,077	167
Jih Sun No. R8	4,066,000	2,383	366
Jih Sun No. R9	10,393,000	1,204	104
Jih Sun No. A1	14,953,000	2,864	150
Jih Sun No. A2	14,433,000	4,487	144
Jih Sun No. A3	8,176,000	479	327
Jih Sun No. A4	18,323,000	3,539	3,298
Jih Sun No. A5	6,101,000	546	549
Jih Sun No. A6	20,876,000	3,298	1 044
Jih Sun No. A7	21,857,000	1,510	874
Jih Sun No. A8	24,315,000	3,291	1 945
Jih Sun No. A9	9,686,000	1,162	678
Jih Sun No. S1	12,982,000	2,677	779
Jih Sun No. S2	10,900,000	1,286	327
Jih Sun No. S3	5,537,000	315	55
Jih Sun No. S4	3,773,000	191	189
Jih Sun No. S5	17,788,000	9,084	8,005
Jih Sun No. S6	5,736,000	4,077	4,818
Jih Sun No. S7	4,899,000	19,359	20,919
Jih Sun No. S8	4,446,000	10,993	13,294

December 31, 2007

	<u>Repurchased Units</u>	<u>Amount</u>	<u>Market Value</u>
Jih Sun No. B1	16,748,000	7,461	335
Jih Sun No. B2	23,656,000	20,890	23,183
Jih Sun No. B3	4,360,000	495	349
Jih Sun No. B4	13,721,000	8,503	6,449
Jih Sun No. B5	21,441,000	2,652	858
Jih Sun No. B6	19,405,000	13,744	6,404

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

Jih Sun No. B7	18,933,000	14,729	3,787
Jih Sun No. B8	15,100,000	18,687	22,952
Jih Sun No. B9	23,930,000	6,852	3,111
Jih Sun No. C1	7,455,000	15,138	15,059
Jih Sun No. C2	24,509,000	14,829	7,108
Jih Sun No. C3	17,821,000	4,857	1,426
Jih Sun No. C4	19,768,000	22,276	7,710
Jih Sun No. C5	18,931,000	17,597	7,951
Jih Sun No. C6	17,187,000	7,106	4,984
Jih Sun No. C7	19,619,000	13,675	9,613
Jih Sun No. C8	19,765,000	19,174	21,149
Jih Sun No. C9	19,773,000	13,645	16,807
Jih Sun No. D1	19,864,000	10,652	3,178
Jih Sun No. D2	18,764,000	16,351	16,888
Jih Sun No. D3	17,361,000	4,312	3,819
Jih Sun No. D4	18,524,000	19,035	13,708
Jih Sun No. D5	19,895,000	16,323	8,953
Jih Sun No. D6	18,705,000	9,117	5,612
Jih Sun No. D7	19,763,000	118,373	88,933
Jih Sun No. D8	19,560,000	47,707	51,834
Jih Sun No. D9	19,744,000	61,733	71,276
Jih Sun No. E1	19,754,000	24,602	25,680
Jih Sun No. E2	19,826,000	22,660	27,756
Jih Sun No. E3	19,890,000	28,042	32,222
Jih Sun No. E4	19,984,000	28,140	38,769
Subtotal		1,156,287	888,439
Add: Gain on revaluation of repurchased stock warrants		84,160	
Less: Loss on revaluation of repurchased stock warrants		(352,008)	
Total		\$ 888,439	

	December 31, 2006		
	Repurchased Units	Amount	Market Value
Jih Sun No. 69	16,518,000	\$ 15,540	14,866
Jih Sun No. 70	99,000	252	260
Jih Sun No. 71	18,202,000	36,828	35,494
Jih Sun No. 72	10,472,000	14,564	16,650

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

Jih Sun No. 73	37,469,000	44,312	43,464
Jih Sun No. 74	19,133,000	128,998	132,018
Jih Sun No. P2	6,457,000	28,561	30,994
Jih Sun No. P3	7,295,000	20,127	19,624
Subtotal		<u>289,182</u>	<u><u>293,370</u></u>
Add: Gain on revaluation of repurchased stock warrants		7,547	
Less: Loss on revaluation of repurchased stock warrants		<u>(3,359)</u>	
Total		<u><u>\$ 293,370</u></u>	

When the warrants are exercised, the Company could choose to deliver stock or pay cash for settlement.

(13) BONDS PAYABLE/LONG-TERM LIABILITIES—CURRENT PORTION

<u>Guaranty Bank</u>	<u>Period</u>	<u>December 31,</u>		<u>Pledged Assets</u>
		<u>2007</u>	<u>2006</u>	
Cathay United Bank	93.11.25~98.11.25	\$ 500,000	500,000	Time deposits, land and building
"	93.11.26~98.11.26	500,000	500,000	"
Net		<u><u>\$ 1,000,000</u></u>	<u><u>1,000,000</u></u>	

On Sep. 20, 2004, the Company's Board of Directors approved the issuance of the first local secured bonds of \$1,000,000 thousand, and received the approval of the Financial Supervisory Commission, Executive Yuan, on November 18, 2004. The main purpose of the issuance is to increase the working capital and enhance the financial structure. Due to the difference in issuing terms and maturity date, the corporate bonds were divided into A bonds and B bonds, at par value of \$10,000 thousand per share, with a total of 100 units issued, at an annual interest rate of 2.65% for a 5-year period, and issued at par value. From the issuing date, the interest is payable once a year, and the principal would be due and repayable at the end of the 5-year period.

(14) LONG-TERM LOANS, NET

<u>Commercial paper payable</u>	<u>Period</u>	<u>Credit line</u>	<u>December 31,</u>		<u>Note</u>
			<u>2007</u>	<u>2006</u>	
Taishin Bills Finance Corp.	2004.01.05~2007.07.08	\$ 2,000,000	-	2,000,000	Use circularly within limit
China Bills Finance Corp.	2007.03.08~2010.03.07	500,000	500,000	-	Use circularly within limit
Mega Bills Finance Corp.	2007.03.06~2010.03.05	500,000	500,000	-	Use circularly within limit
International Bills Financial Corp.	2007.02.07~2010.02.07	500,000	500,000	-	Use circularly within limit

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

International Bills Financial Corp.	2007.06.04~2010.06.04	300,000	300,000	-	Use circularly within limit
Subtotal			1,800,000	2,000,000	
Less: Unamortized discount long-term loans payable – current portion			(4,041)	(10,989)	
			-	(1,989,011)	
Net			\$ 1,795,959	-	

Long-term loans

Shanghai Commercial & Saving Bank, Ltd	2007.07.20~2010.07.20	\$ 100,000	80,000	-	Use circularly within limit
Taipei Fubon Bank	2007.07.20~2010.07.20	500,000	400,000	-	Use circularly within limit
Taiwan Business Bank	2007.07.20~2010.07.20	300,000	240,000	-	Use circularly within limit
Bank of Taiwan	2007.07.20~2010.07.20	300,000	240,000	-	Use circularly within limit
Mega International Commercial Bank	2007.07.20~2010.07.20	500,000	400,000	-	Use circularly within limit
Cathay United Bank	2007.07.20~2010.07.20	500,000	400,000	-	Use circularly within limit
Hua Nan Bank	2007.07.20~2010.07.20	300,000	240,000	-	Use circularly within limit
Far Eastern International bank	2007.07.20~2010.07.20	500,000	400,000	-	Use circularly within limit
Subtotal			2,400,000	-	
Total			4,195,959	-	

(15) OTHER LIABILITIES – OTHER

On August 28, 1991, the Company merged with Yeong Lin Securities Co., Pan Chiao Securities Co., Jih Chung Securities Co., and Chia Yi Securities Co. In merging, the Company assumed the assets, liabilities, and related rights and obligations of the four merged companies and reserve for land value incremental tax of \$18,174 thousand in accordance with Article 13 of the Statute for Upgrading Industries. In addition, as a result of the merger with Yeong Lin Securities Co., the reserve for land value incremental tax payable of \$7,857 thousand was transferred from capital surplus, as approved by the Kaohsiung Government. Furthermore, the Chia Yi Branch sold land on February 14, 1994, resulting in land value incremental tax payable of \$266 thousand. Further, in 2002, the Company merged with Toufen Securities Co., Ltd. and assumed all its assets and liabilities and relevant rights and obligations. Meanwhile, the Company reserved \$3,105 thousand for land value incremental tax. As of December 31, 2007 and 2006, the total land value incremental tax payable amounted to \$28,870 thousand.

(16) SECURITIES BROKERAGE DEBIT (CREDIT) ACCOUNTS – NET

	December 31,	
	2007	2006
SECURITIES BROKERAGE DEBIT ACCOUNTS		
Cash in bank – settlement amount	\$ 935,608	63,463
Receivable price of securities purchased for customers	4,675,116	6,609,236

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

Receivable accounts for settlement	2,652,917	3,040,272
Settlement price	380,127	1,516,257
Credit transactions	-	1,182
Subtotal	<u>8,643,768</u>	<u>11,230,410</u>
SECURITIES BROKERAGE CREDIT ACCOUNTS		
Price payable of securities sold for customers	4,519,786	7,422,000
Settlement accounts payable	2,860,786	3,780,487
Subtotal	<u>7,380,572</u>	<u>11,202,487</u>
Net	<u>\$ 1,263,916</u>	<u>27,293</u>

(17) EMPLOYEE PENSION PLAN

- (A) The Company adopted SFAS No. 18, "Accounting for Pensions", for the employee pension plan from December 31, 1995. When an employee retires or resigns, the Company will return his pension fund deposit and related interest. In addition, the Pension Fund Administrative Committee will pay the pension or termination payment to the employee based upon a certain percentage (maximum is 100%) of his pension fund deposit from the "Pension Fund". Because the benefits an employee will receive depend solely on the amount contributed to the fund by the employer and the returns earned thereon, the employer does not guarantee the amount of pension benefits. The movements of the pension fund account for 2007 and 2006 are summarized as follows:

	2007	2006
Beginning balance	\$ 60,777	61,052
Add: Interest	1,371	1,190
Less: Current period payments	(1,458)	(1,465)
Ending balance	<u>\$ 60,690</u>	<u>60,777</u>

- (B) Effective from March 1998, the Company makes monthly pension contributions at 2.8% of employee gross salaries monthly (managers' contribution ratio is 4%) to a designated pension fund account at the Central Trust of China. The movements of this pension fund account for 2007 and 2006 are summarized as follows:

	2007	2006
Beginning balance	\$ 160,612	153,860
Add: Contributions	13,615	4,439
Interest	4,618	3,927
Less: Current period payments	(572)	(1,614)
Ending balance	<u>\$ 178,273</u>	<u>160,612</u>

- (C) For the years ended December 31, 2007 and 2006, the components of net pension costs were as follows:

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

	<u>2007</u>	<u>2006</u>
Service cost	\$ 16,009	17,034
Interest cost	12,014	11,444
Projected return on pension plan assets	(4,262)	(4,121)
Amortization of gain (loss) on pension	3,490	4,162
Loss on payment	5,820	-
Net periodic pension cost	<u>\$ 33,071</u>	<u>28,519</u>

- (D) Actuarial assumptions used and the reconciliation between pension funding status and accrued pension liabilities per books were as follows:

	<u>December 31,</u>	
	<u>2007</u>	<u>2006</u>
Discount rate	3.50%	3.50%
Future salary increase rate	2.00%	3.00%
Projected long-term rate of return on pension plan assets	2.50%	2.50%

	<u>December 31,</u>	
	<u>2007</u>	<u>2006</u>
Benefit obligation		
Vested benefit obligation	\$ (17,781)	\$ (12,052)
Non-vested benefit obligation	(239,833)	(214,731)
Accumulated benefit obligation	(257,614)	(226,783)
Effect of future salary increase	(75,572)	(116,895)
Projected benefit obligation	(333,186)	(343,678)
Fair value of pension fund assets	178,273	160,612
Funding status	(154,913)	(183,066)
Unrecognized pension income	54,793	93,690
Net pension plan liabilities	<u>\$ (100,120)</u>	<u>\$ (89,376)</u>

As of December 31, 2007 and 2006, the vested benefit obligation for the employee pension plan amounted to \$21,196 thousand and \$14,844 thousand, respectively. For the newly adopted labor retirement plan, the pension expense is \$63,814 thousand and \$62,848 thousand, respectively in 2007 and 2006.

(18) CAPITAL STOCK

The Company was organized in December 1961 with an original capital of \$600 thousand, divided into 60,000 shares. Due to various capital increases and decreases over the years, as of December 31, 2007, the Company's authorized capital amounted to \$12,200,000 thousand. As of December 31, 2007, the Company's actual capital amounted to \$11,572,127 thousand. The issued shares include 1,157,212,760 shares with \$10 per share.

(19) EARNINGS DISTRIBUTION

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NOTES TO FINANCIAL STATEMENTS (CONT'D)

According to the Company's Articles of Incorporation, 10% of its annual net income after deduction of income tax and prior years' cumulative losses, if any, is first set aside as legal reserve, and special reserve should be provided according to related laws and regulations before distribution of stock dividends. At least 1% of the remaining balance should be distributed as employee bonuses. The remaining balance along with cumulative retained earnings is distributable earnings, which may be distributed as directors' and supervisors' compensation and stockholder bonuses according to the Board of Directors' proposal to be resolved by the stockholders' meeting. Special reserve could be transferred to unappropriated earnings when related laws and regulations are modified or the relevant reasons in the laws and regulations are eliminated.

The Company's capital dividend policy is a residual-dividend policy. Based on the future capital budget, the Company first reserves cash for working capital and necessary investment, and the remaining balance is distributed as stock dividends or cash dividends. If all of the conditions are met, the Company's employees can participate in the distribution of the parent company's stock from employee bonus transferred to capital.

The company had a meeting of board of directors on March 2,2007 and April 27,2006 replaced shareholders' power to agree earnings distribution of 2006 and 2005. The related information would be announced on the Internet, such as Market Observation Post System.

Distribution of earnings per share, employee bonus and compensation of directors and supervisors were as follows:

	2006	
Cash dividends per share –common stock(dollar)	\$	0.89
Employee bonus - cash	\$	10,492
Compensation of directors and supervisors		9,000
Total	\$	19,492
	2005	
Cash dividends per share (dollar)	\$	0.89
Employee bonus - cash	\$	10,479
Compensation of directors and supervisors		9,000
Total	\$	19,479

If the above employee bonuses and remuneration to directors and supervisors were included in current expenses, then the basic earnings for 2006 and 2005 per share (after tax) would change from \$1.30 to 1.28 and \$1.10 to 1.09.

(20) INCOME TAX

(A) The Company's statutory tax rate is 25%. The Company's income tax components in 2007 and 2006 were as follows:

	2007	2006
Income tax expense	\$ 672,890	334,368

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

Adjustment of prior year's income tax expense and the taxable difference assessed by tax authority	26,882	59,065
Deffered income tax profit	<u>(1,119)</u>	<u>(15,311)</u>
Income tax expense	<u>\$ 698,653</u>	<u>378,122</u>

- (B) The Company's statutory income tax rate is 25%. From January 1, 2006, Income Tax Basic Regulation calculates basic tax. As of December 31, 2007 and 2006, the income tax expense (benefit) was calculated as follows:

	<u>2007</u>	<u>2006</u>
Income tax calculated based on income before income tax at legal tax rate	\$ 840,471	469,250
Recovery gain or valuation loss on operating securities and short-term investments	9,444	(40,968)
Gain on long-term equity investments — equity method	(84,753)	(54,535)
Difference between financial and tax treatment of bonds with repurchase agreement suspend to impose capital gains tax	268,582	54,809
	(291,776)	(127,221)
Difference between financial and tax treatment of stock warrants	(57,744)	69,039
Reversal securities trading loss	(3,716)	(333)
Adjustment of prior year's income tax estimation	26,822	59,065
Others	<u>(8,677)</u>	<u>(50,984)</u>
Income tax expense	<u>\$ 698,653</u>	<u>378,122</u>

- (C) Details of temporary differences between financial and tax reporting purposes which resulted in deferred income tax assets and liabilities, operating loss carry forwards, and income tax deductions were as follows:

	<u>December 31,</u>			
	<u>2007</u>	<u>2006</u>		<u>2006</u>
	<u>Amount</u>	<u>Tax effect — non- current</u>	<u>Amount</u>	<u>Tax effect — non- current</u>
Deferred tax assets — current	<u>\$ 14,447</u>	<u>4,334</u>	<u>14,447</u>	<u>4,334</u>
Deferred tax assets — non-current				

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

Deductible temporary difference resulting from recognition of unrealized default indemnity loss	\$ 52,000	13,000	52,000	13,000
Deductible temporary difference resulting from provision for pension	93,853	23,463	89,376	22,344
Subtotal	145,853	36,463	141,376	35,344
Total	\$ 160,300	40,797	155,823	39,678

- (D) The Company's income tax returns of 2002 were assessed by National Tax Administration. The related tax expense of 2003 and 2004 have been entered on the basis of the prudence concept.

The Company estimated its income tax on stock warrant transactions pursuant to ruling Tai Tsai Cheng No. 861922464 issued by the Ministry of Finance on December 11, 1997. Accordingly, the proceeds from the issuance of stock warrants are accounted for as royalty revenue which is included as part of taxable income. When the investors exercise their warrant rights, such transaction is subject to the securities transaction tax in accordance with the Income Tax Law, and accordingly, any capital gain or loss is not included in the determination of the annual corporate income tax. The Chinese Securities Association is currently asking for amendment of the law so that the loss from securities transactions and the royalty income can be offset, retroactive to 1997. However, before the amendment is finalized, the Company estimates its income tax according to the current regulation. According to the tax law, the Company estimated its income tax payable on stock warrant transactions from 2003-2006 amounted to \$837,041 thousand. Otherwise, according to the article of 24-2 the Income Tax Law which is passed on July 11, 2007 :

- (a) During the period of issued date to maturity date of the stock warrant, which is issued by the issuer, the profit and the loss of the securities and financial derivative instruments, traded according to risk management, should be added to taxable income and don't apply to the Income Tax Law, the article of 4-1 and 4-2.
- (b) The transaction loss is produced from the trading of the stock, target valuable securities, and futures according to the risk management. The part of the transaction loss which exceeds the rest of the stock warrant right fee revenue deducted each related issuing cost and expenses is not deductible.

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

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

income tax return and make tax payment in order to decrease the Group's taxes and increase the Group's operating efficiency.

(E) Related information on imputation tax system:

	December 31,	
	2007	2006
Balance of stockholders' imputation credit account	\$ 194,464	625,513
	2007(estimated)	2006(actual)
Estimated (actual) imputation credit ratio of earnings distribution to the habitants of the republic of china	7.30%	6.79%

(F) Related information on undistributed earnings:

	December 31,	
	2007	2006
Undistributed earnings of 1998 and after	\$ 2,663,231	1,498,879
Total	\$ 2,663,231	1,498,879

(21) EARNINGS PER SHARE

Current income per share are computed based on the weighted-average number of common shares outstanding during the years ended December 31, 2007 and 2006, was 1,157,212,760 shares.

(22) TRANSFERRING of FINANCIAL ASSETS

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

(23) RELATED INFORMATION of FINANCIAL INSTRUMENTS

(A) Financial Derivatives Instruments

(a) Stock warrants

For information about the issued stock warrants, please refer to Notes 12.

1. Credit risk

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

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

2. Market risk

Warrants are derivative financial instruments; their market risk is from price fluctuations of the underlying stock. The market risk of warrants could be hedged by adjusting the positions of warrants and hedging securities.

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

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

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

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.

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.

5. Type, purpose and strategy for holding derivative financial instruments

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

6. Financial statement presentation of derivative financial instruments

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

(B) Futures and options transactions

The Company started the dealership of futures and options for trading business in November 2001. As of December 31, 2007 and 2006, the futures contracts the Company held were as follows:

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

Items	Transaction Type	Holder Seller	Volume	Contract Amount	Fair Value	Notes
Dec. 31, 2007						
Futures	Finance Sector Index Futures	Holder	2	\$ 1,852	1,880	Speculation
Futures	TAIFEX Gold Futures	Holder	4	334	339	Speculation
Futures	10-year Government Bond Futures	Holder	1	5,150	5,147	Speculation
Futures	Taiwan Stock Index Futures	Holder	430	704,699	729,544	Speculation
Total			437	\$ 712,035	736,910	
Options	Call Option	Holder	528	\$ 18,965	12,743	Speculation
Options	Put Options	Holder	60	949	751	Speculation
Options	Call options - Stock	Holder	26	383	417	Speculation
Options	Morgan Taiwan Stock Index Option	Holder	20	83	56	Speculation
Total			634	\$ 20,380	13,967	
Futures	Electronics Index Futures	Seller	7	\$ (9,220)	(9,825)	Speculation
Futures	TAIFEX Gold Futures	Seller	5	(420)	(424)	Speculation
Total			12	\$ (9,640)	10,249	
Options	Call Option	Seller	14,046	\$ (74,775)	(89,607)	Speculation
Options	Put Options	Seller	8,213	(45,430)	(32,131)	Speculation
Options	Electronics Index Option -Call Option	Seller	15	(54)	(109)	Speculation
Options	Electronics Index Option -Put Option	Seller	10	(49)	(10)	Speculation
Options	Financial Index Option -Call Option	Seller	142	(527)	(533)	Speculation
Options	Financial Index Option -Put Option	Seller	135	(1,053)	(111)	Speculation
Options	Market Stock Index Options-Call	Seller	32	(85)	(158)	Speculation
Options	Non Electronics Sub-Index Options-Call	Seller	20	(176)	(265)	Speculation
Options	Market Stock Index Options-Call	Seller	20	(62)	(10)	Speculation
Options	Morgan Taiwan Stock Index Option	Seller	10	(55)	(92)	Speculation
Total			22,643	\$ (122,266)	(123,026)	

Items	Transaction Type	Holder Seller	Volume	Contract Amount	Fair Value	Notes
Dec. 31, 2006						
Futures	Taiwan Stock Index Futures	Holder	372	\$ 580,900	586,284	Speculation
Futures	Electronics Index Futures	Holder	35	46,010	46,522	Speculation
Futures	Financial Index Futures	Holder	9	9,551	9,691	Speculation
Total			416	\$ 636,461	642,497	
Options	Call Option	Holder	1,127	\$ 6,446	8,674	Speculation
Options	Put Options	Holder	3,471	2,693	1,928	Speculation
Options	Call options - Stock	Holder	15	1	1	Speculation
Options	Financial Index Option -Call Option	Holder	4	60	47	Speculation
Options	Morgan Taiwan Stock Index Option	Holder	30	71	83	Speculation
Total			4,647	\$ 9,271	10,733	
Options	Call Option	Seller	3,748	\$ (24,152)	(53,881)	Speculation

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

Options	Put Options	Seller	1,917	(7,904)	(2,639)	Speculation
Options	Call options - Stock	Seller	35	(233)	(228)	Speculation
Options	Financial Index Option					
	-Call Option	Seller	26	(103)	(164)	Speculation
Options	Financial Index Option					
	-Put Option	Seller	3	(12)	(8)	Speculation
Options	Morgan Taiwan Stock					
	Index Option					
		Seller	20	(74)	(25)	Speculation
Total			<u>5,749</u>	<u>\$ (32,478)</u>	<u>(56,945)</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, 2007 and 2006.

(a) Credit risk

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

(b) Market risk

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

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

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

(d) Presentation of financial derivative instruments-futures in the financial statements

Margin paid by the company to engage in futures and options transactions was recognized under assets as financial assets measured at fair value through profit or loss – current of futures margin deposits. As of December 31, 2007 and 2006, futures and options transactions were as follows:

	<u>December 31,</u>	
	<u>2007</u>	<u>2006</u>
Futures margin deposits	\$ 721,986	\$ 332,526
Call option - speculation	13,967	10,733
Liabilities of put options - speculation	123,026	56,945

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NOTES TO FINANCIAL STATEMENTS (CONT'D)

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

	<u>2007</u>	<u>2006</u>
Realized gain on futures contracts	\$ 339,125	648,712
Gain on futures contracts - valuation	10,295	12,299
Realized gain on option transactions	599,044	877,766
Gain on option transactions - valuation	(1,482)	1,364
Total	<u>\$ 946,982</u>	<u>1,540,141</u>
Realized loss on futures contracts	\$ 469,491	738,011
Loss on futures contracts - valuation	(7,994)	2,691
Realized loss on option transactions	555,903	757,112
Loss on option transactions - valuation	(17,313)	(11,709)
Total	<u>\$ 1,000,087</u>	<u>1,486,105</u>

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

(C) Interest rate swap

(a) The Company engaged in financial derivatives in the form of interest rate swaps to coordinate the bond investment position. The Company signed interest rate swap contracts for trading with banks and security companies. As of December 31, 2007 and 2006, the interest rate swap contracts held by the Company were as follows:

<u>Dec.31,2007</u>		<u>Nominal</u>	<u>Fixed</u>	<u>Floating</u>	<u>Settlement date</u>	<u>Expiration date</u>	<u>Purpose</u>
<u>Transaction counter-party</u>	<u>Transaction terms</u>	<u>principal</u>	<u>rate %</u>	<u>rate index</u>			
Cathay United Bank	Long position	\$ 300,000	1.865	CP90	Once a quarter	98.01.09	Trading
Cathay United Bank	Long position	300,000	1.865	"	"	98.01.09	"
Standard Chartered Bank	Long position	300,000	1.885	"	"	98.01.29	"
Standard Chartered Bank	Long position	300,000	1.880	"	"	98.01.29	"
Standard Chartered Bank	Long position	400,000	0.430	Libor6M	Once a half	98.02.16	"
Chinatrust Commercial Bank	Long position	300,000	-	"	"	98.03.03	"
Standard Chartered Bank	Long position	300,000	1.970	CP90	Once a quarter	98.05.08	"
Yuanta Bank	Short position	300,000	1.940	"	"	98.05.14	"
KGI Securities Co.	Short position	300,000	2.800	"	"	98.05.28	"
Capital Securities Co.	Short position	300,000	2.750	"	"	98.05.29	"
KGI Securities Co.	Long position	300,000	2.650	"	"	98.07.07	"
KGI Securities Co.	Long position	300,000	2.610	"	"	98.07.23	"
KGI Securities Co.	Long position	300,000	2.580	"	"	98.10.19	"
Taipeifubon Commercial Bank Co., Ltd	Short position	300,000	2.560	"	"	98.11.02	"
Polaris Securities Co., Ltd	Long position	300,000	2.190	"	"	99.01.25	"
Capital Securities Co.	"	300,000	2.180	"	"	99.02.23	"
KGI Securities Co.	"	300,000	2.090	"	"	99.03.01	"
KGI Securities Co.	Short position	300,000	2.180	"	"	99.03.09	"
Taipeifubon Commercial Bank Co., Ltd	"	300,000	2.230	"	"	99.03.15	"
Chinatrust Commercial Bank	Long position	500,000	-	Libor6M	Once a half	99.04.07	"
Standard Chartered Bank	"	300,000	2.155	CP90	Once a quarter	99.04.19	"
Uni-President Securities Corp.	"	300,000	2.1425	"	"	99.04.29	"
City Bank	Short position	300,000	2.000	"	"	99.05.14	"
Yuanta Bank	Long position	300,000	2.105	"	"	99.05.25	"
Standard Chartered Bank	"	300,000	2.380	"	"	99.08.17	"
Taishin Bills Finance Corp.	"	500,000	2.370	"	"	99.08.17	"
Cathay United Bank	"	300,000	2.270	"	"	99.08.20	"
Mega International Commercial Bank	"	200,000	2.270	"	"	99.08.20	"
City Bank	Short position	500,000	2.295	"	"	99.08.23	"
Taipeifubon Commercial Bank Co., Ltd	Long position	300,000	2.050	"	"	99.08.26	"
SinaPac Securities Corp.	"	300,000	2.340	"	"	99.08.27	"
Polaris Securities Co., Ltd	Short position	300,000	2.335	"	"	99.08.30	"
SinaPac Securities Corp.	"	300,000	2.320	"	"	99.08.30	"
Taipeifubon Commercial Bank Co., Ltd	"	200,000	2.320	"	"	99.08.30	"
Taipeifubon Commercial Bank Co., Ltd	Long position	300,000	2.045	"	"	99.08.30	"
Fubon Securities Co., Ltd	"	300,000	2.0425	"	"	99.08.30	"
MasterLink Securities Co.	"	300,000	2.050	"	"	99.08.30	"
Taipeifubon Commercial Bank Co., Ltd	"	300,000	2.000	"	"	99.08.31	"
Taishin Bank	"	300,000	2.000	"	"	99.08.31	"
Uni-President Securities	Long position	300,000	2.020	"	"	99.09.01	"
Chinatrust Commercial Bank	"	400,000	-	Libor6M	Once a half	99.10.13	"
Chinatrust Commercial Bank	"	200,000	-	"	"	99.10.13	Trading

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

<u>Dec.31,2007</u>		<u>Nominal</u>	<u>Fixed</u>	<u>Floating</u>			
<u>Transaction counter-party</u>	<u>Transaction terms</u>	<u>principal</u>	<u>rate %</u>	<u>rate index</u>	<u>Settlement date</u>	<u>Expiration date</u>	<u>Purpose</u>
Cathay United Bank	Short position	300,000	2.270	CP90	Once a quarter	99.11.08	"
Uni-President Securities	"	300,000	2.265	"	"	99.11.08	"
KGI Securities Co.	"	300,000	2.195	"	"	99.11.11	"
Standard Chartered Bank	Long position	500,000	1.050	Libor6M	Once a half	100.05.25	"
Standard Chartered Bank	"	500,000	1.050	"	"	100.05.25	"
Standard Chartered Bank	"	300,000	2.140	CP90	Once a quarter	100.08.22	"
Taishin Bank	"	300,000	2.660	"	"	100.11.22	"
Standard Chartered Bank	Short position	300,000	2.440	"	"	101.03.08	"
City Bank	"	300,000	2.170	"	"	101.04.27	"
Capital Securities Co.	Long position	300,000	2.150	"	"	101.05.04	"
Mega Securities Co.	Short position	300,000	2.135	"	"	101.05.14	"
Taipeifubon Commercial Bank Co., Ltd	Long position	300,000	2.210	"	"	101.05.23	"
Capital Securities Co.	"	300,000	2.280	"	"	101.05.28	"
Grand Cathay Securities Corp.	Short position	300,000	2.330	"	"	101.05.29	"
Polaris Securities Co., Ltd	"	300,000	2.410	"	"	101.06.05	"
KGI Securities Co.	Long position	300,000	2.410	"	"	101.06.05	"
Taipeifubon Commercial Bank Co., Ltd	Short position	300,000	2.505	"	"	101.07.04	"
KGI Securities Co.	"	300,000	2.610	"	"	101.07.09	"
Mega Securities Co.	"	300,000	2.615	"	"	101.07.09	"
KGI Securities Co.	"	300,000	2.660	"	"	101.07.10	"
Taipeifubon Commercial Bank Co., Ltd	"	300,000	2.690	"	"	101.07.12	"
Taipeifubon Commercial Bank Co., Ltd	"	300,000	2.685	"	"	101.07.12	"
Standard Chartered Bank	"	300,000	2.650	"	"	101.07.23	"
First Bank	"	300,000	2.655	"	"	101.07.23	"
Standard Chartered Bank	"	300,000	2.720	"	"	101.07.24	"
Mega Securities Co.	Long position	300,000	2.755	"	"	101.07.25	"
Taipeifubon Commercial Bank Co., Ltd	"	300,000	2.840	"	"	101.07.27	"
Polaris Securities Co., Ltd	"	300,000	2.750	"	"	101.07.31	"
Taishin Bank	"	300,000	2.795	"	"	101.08.02	"
Capital Securities Co.	"	300,000	2.745	"	"	101.08.07	"
KGI Securities Co.	"	300,000	2.485	"	"	101.08.15	"
Taishin Bank	Short position	300,000	2.485	"	"	101.08.15	"
KGI Securities Co.	"	300,000	2.440	"	"	101.08.17	"
Yuanta Bank	"	300,000	2.400	"	"	101.08.20	"
City Bank	Long position	300,000	2.380	"	"	101.08.22	"
City Bank	"	300,000	2.400	"	"	101.08.27	"
Mega Securities Co.	Short position	300,000	2.565	"	"	101.09.28	"
Cathay United Bank	"	300,000	2.570	"	"	101.09.28	"
Cathay United Bank	"	300,000	2.580	"	"	101.09.28	"
Polaris Securities Co., Ltd	"	300,000	2.600	"	"	101.10.02	"
Capital Securities Co.	"	300,000	2.600	"	"	101.10.02	"
First Bank	"	300,000	2.645	"	"	101.10.03	"
Capital Securities Co.	"	300,000	2.645	"	"	101.10.03	"
Taiwan Securities Co., Ltd	"	300,000	2.635	"	"	101.10.05	"
SinaPac Securities Corp.	Long position	300,000	2.650	"	"	101.10.23	"
Standard Chartered Bank	"	300,000	2.610	"	"	101.10.29	"
Capital Securities Co.	"	300,000	2.670	"	"	101.10.31	"
First Bank	"	300,000	2.720	"	"	101.11.07	"
First Bank	"	300,000	2.750	"	"	101.11.08	"
Taipeifubon Commercial	"	300,000	2.720	"	"	101.11.12	"

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

<u>Dec.31,2007</u>		<u>Nominal</u>	<u>Fixed</u>	<u>Floating</u>	<u>Settlement date</u>	<u>Expiration date</u>	<u>Purpose</u>
<u>Transaction counter-party</u>	<u>Transaction terms</u>	<u>principal</u>	<u>rate %</u>	<u>rate index</u>			
Bank Co., Ltd							
Standard Chartered Bank	"	300,000	2.680	"	"	101.11.13	"
Uni-President Securities	"	300,000	2.530	"	"	101.12.05	"

<u>Dec. 31, 2006</u>		<u>Nominal</u>	<u>Fixed</u>	<u>Floating</u>	<u>Settlement date</u>	<u>Expiration date</u>	<u>Purpose</u>
<u>Transaction counter-party</u>	<u>Transaction terms</u>	<u>principal</u>	<u>rate %</u>	<u>rate index</u>			
CUB	Short position	\$ 300,000	1.705	CP90	Once a quarter	96.03.26	Trading
Master Link Securities Co.	"	300,000	1.665	"	"	96.03.30	"
President Securities Corp.	"	300,000	1.595	"	"	96.05.03	"
H.S.B.C.	"	300,000	2.350	"	"	96.05.28	"
President Securities Corp.	Long position	300,000	1.620	"	"	96.05.30	"
H.S.B.C.	"	300,000	2.200	"	"	96.07.19	"
Mega Securities	"	300,000	2.210	"	"	96.07.26	"
Barits Securities Corp.	Short position	300,000	2.240	"	"	96.07.30	"
Chinatrust Commercial Bank	Long position	300,000	2.180	"	"	96.08.13	"
Fubon Bills Finance Co., Ltd	"	200,000	2.070	"	"	96.08.20	"
Taipeifubon Commercial Bank Co., Ltd	Short position	300,000	1.680	"	"	96.08.27	"
Taipeifubon Commercial Bank Co., Ltd	"	300,000	1.680	"	"	96.08.29	"
Fubon Securities Co., Ltd.	"	300,000	1.6825	"	"	96.08.30	"
MasterLink Securities Co.	"	300,000	1.685	"	"	96.08.30	"
H.S.B.C.	Long position	300,000	2.025	"	"	96.09.03	"
Taipeifubon Commercial Bank Co., Ltd	"	300,000	1.630	"	"	96.09.06	"
Taipeifubon Commercial Bank Co., Ltd	"	300,000	1.630	"	"	96.09.06	"
ABN AMRO Bank	"	500,000	0.820	Libor 6M	Once a half	96.10.01	"
President Securities Corp.	Short position	300,000	2.090	CP90	Once a quarter	96.11.12	"
Polaris Securities Co., Ltd.	Long position	200,000	0.330	Libor 6M	Once a half	97.02.11	"
Standard Chartered Bank	"	200,000	0.330	"	"	97.02.11	"
KGI Securities Co.	"	300,000	0.830	"	"	97.12.24	"
CUB	"	300,000	1.865	CP90	Once a quarter	98.01.09	"
CUB	"	300,000	1.865	"	"	98.01.09	"
Standard Chartered Bank	"	300,000	1.885	"	"	98.01.29	"
Standard Chartered Bank	"	300,000	1.880	"	"	98.01.29	"
Standard Chartered Bank	Long position	200,000	0.210	Libor 6M	Once a half	98.02.16	"
H.S.B.C.	"	200,000	0.280	"	"	98.02.16	"
Standard Chartered Bank	"	400,000	0.430	"	"	98.02.16	"
Standard Chartered Bank	"	200,000	0.570	"	"	98.03.03	"
ABN AMRO Bank	Short position	300,000	0.530	"	"	98.03.03	"
Chinatrust Commercial Bank	Long position	300,000	-	"	"	98.03.03	"
H.S.B.C.	"	200,000	0.400	Libor 3M	Once a quarter	98.03.04	"
City Bank	"	500,000	0.250	Libor 6M	Once a half	98.03.15	"
Standard Chartered Bank	Long position	200,000	0.300	"	"	98.03.25	"
H.S.B.C.	"	200,000	0.750	"	"	98.05.14	"
KGI Securities Co.	Short position	300,000	2.800	CP90	Once a quarter	98.05.28	"
Capital Securities Corp.	"	300,000	2.750	"	"	98.05.29	"
KGI Securities Co.	Long position	300,000	2.650	"	"	98.07.07	"
ABN AMRO Bank	"	200,000	1.430	Libor 6M	Once a half	98.07.15	"
KGI Securities Co.	"	300,000	2.610	CP90	Once a quarter	98.07.23	"
ABN AMRO Bank	"	100,000	0.730	Libor 6M	Once a half	98.09.25	"
KGI Securities Co.	"	300,000	2.580	CP90	Once a quarter	98.10.19	"

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

<u>Dec. 31, 2006</u>		<u>Nominal</u>	<u>Fixed</u>	<u>Floating</u>	<u>Settlement date</u>	<u>Expiration date</u>	<u>Purpose</u>
<u>Transaction counter-party</u>	<u>Transaction terms</u>	<u>principal</u>	<u>rate %</u>	<u>rate index</u>			
Fubon Bills Finance Co., Ltd	Short position	300,000	2.560	"	"	98.11.02	"
Polaris Securities Co., Ltd.	Long position	300,000	2.190	"	"	99.01.25	"
Capital Securities Corp.	"	300,000	2.180	"	"	99.02.23	"
KGI Securities Co.	"	300,000	2.090	"	"	99.03.01	"
KGI Securities Co.	Short position	300,000	2.180	"	"	99.03.09	"
Fubon Bills Finance Co., Ltd	Short position	300,000	2.230	"	"	99.03.15	"
Chinatrust Commercial Bank	Long position	500,000	-	Libor 6M	Once a half	99.04.07	"
Standard Chartered Bank	Long position	300,000	2.155	CP90	Once a quarter	99.04.19	"
President Securities Corp.	"	300,000	2.1425	"	"	99.04.29	"
Taipeifubon Commercial Bank Co., Ltd	"	300,000	2.050	"	"	99.08.26	"
Taipeifubon Commercial Bank Co., Ltd	"	300,000	2.045	"	"	99.08.30	"
Fubon Securities Co., Ltd..	"	300,000	2.0425	"	"	99.08.30	"
MasterLink Securities Co.	"	300,000	2.050	"	"	99.08.30	"
Fubon Bills Finance Co., Ltd	"	300,000	2.000	"	"	99.08.31	"
TSIB	"	300,000	2.000	"	"	99.08.31	"
President Securities Corp..	"	300,000	2.020	"	"	99.09.01	"
Chinatrust Commercial Bank	"	400,000	2.020	Libor 6M	Once a half	99.10.13	"
Chinatrust Commercial Bank	"	200,000	2.020	"	"	99.10.13	"
Taipeifubon Commercial Bank Co., Ltd	Short position	300,000	2.270	CP90	Once a quarter	99.11.08	"
President Securities Corp.	"	300,000	2.265	"	"	99.11.08	"
KGI Securities Co.	"	300,000	2.195	"	"	99.11.11	"
H.S.B.C.	Long position	100,000	1.940	Libor 6M	Once a half	99.11.27	"
Standard Chartered Bank	"	500,000	1.050	"	"	100.05.25	"
Standard Chartered Bank	"	500,000	1.050	"	"	100.05.25	"
Standard Chartered Bank	Long position	300,000	2.140	CP90	Once a quarter	100.08.22	"
TSIB	"	300,000	2.660	"	"	100.11.22	"
Standard Chartered Bank	Short position	300,000	2.440	"	"	101.03.08	"

(b) Credit risk

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

(c) Market risk

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

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

The future cash demand occurs on the settlement date, and the Company receives or pays interest of nominal principal times the difference in interest rates. Since the

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

amount is not large and there is no cash inflow or outflow of principal, there is no period of heavy future cash demand. The period of cash inflow or outflow usually is three months. An interest rate swap is a contract with a counter-party. Liquidity risk arises from early termination of contracts before expiration, and the amount of rescindable value is determined by the counter-parties of the contract.

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

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

(D) Convertible corporate bonds and asset swap options

(a) As of December 31, 2007 and 2006, the Company's convertible corporate bonds and asset swap options not yet due were as follows:

	December 31, 2007	
	Option cost	The notional price
Short call option	\$ (22,416)	(8,662)
	December 31, 2006	
	Option cost	The notional price
Short call option	\$ (10,079)	(12,955)
Long call option	\$ 2,580	1,358

(b) Credit risk

The Company receives premiums when natural persons buy asset swap options, so there is no credit risk with natural persons. Credit risk of asset swap transaction arises when the transaction counter-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 counter-party will not likely default on. Therefore, credit risk is very low.

(c) Market risk

The interest risk arising from asset swaps was included the interest product positions to measure market risk. Exercise and notional prices for option positions are also valued periodically.

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

The purpose of the Company engaging in convertible corporate bond asset swaps transactions is to raise the liquidity of convertible corporate bonds. For interest rate swap, the Company receives or pays interest of nominal principal times the difference in interest rates. Since the amount is not large and there is no cash inflow or outflow of principal, there is no term of heavy future cash demand.

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

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

The purpose of the Company engaging in the convertible corporate bond asset swap and option transactions is to earn a fixed price difference or to transfer the credit risk to counter-parties by dividing convertible corporate bonds into different parts to achieve the hedging purpose.

(E) Structured Notes

(a) Nominal Principal Amount or Contract Value

Type of Transaction	2006.12.31		
	Principal	Cost of Options	Estimated Value of Options
Equity-linked products	\$ 11,834	162	256
Principal guaranteed products	\$ 270,000	557	489

For the year ended December 31, 2007, the company has no invested structured notes.

(b) Credit risk

Before undertaking a structured product, the Company receives the investor's premiums and so does not undertake any credit risk from investors.

(c) Market risk

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

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

Before undertaking a principal guaranteed product, the Company receives premiums. So there is no large future cash demand risk.

(F) Presentation of financial derivative instruments – O.T.C. in the financial statements

(a) As of December 31, 2007 and 2006, the Company held positions in interest rate swaps, convertible corporate bond asset swaps, and structured notes. Presentation of derivative financial instruments in the balance sheets was as follows:

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

	December 31, 2007	
	Assets of financial derivative instruments - O.T.C.	Liabilities of financial derivative instruments - O.T.C.
IRS contract value	\$ -	98,908
Asset swap option	-	8,662
TOTAL	\$ -	107,570

	December 31, 2006	
	Assets of financial derivative instruments - O.T.C.	Liabilities of financial derivative instruments - O.T.C.
IRS contract value	\$ 105,647	66,457
Asset swap option	1,358	12,955
Equity-linked notes assets- options	256	-
Principal guaranteed product liability- premium	-	489
TOTAL	\$ 107,261	79,901

- (b) For the year ended December 31, 2007 and 2006, the Company engaged in interest rate swaps, convertible corporate bond asset swaps, and structured notes, and the related presentation of the income or loss from derivative financial instruments in the statement of income was as follows:

	Gain (loss) on derivative financial instruments - O.T.C	
	2007	2006
IRS contract value	\$ (175,553)	\$ 45,890
IRS contract value - asset swap	-	56
Asset swap option	11,652	(3,799)
Equity-linked note	(11,452)	(2,711)
Bond option	811	10,198
Principal guaranteed product	-	(4,984)
Total	\$ (174,542)	\$ 44,550

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

(G) Fair Value of Financial Instruments

Financial Assets	December 31			
	2007		2006	
	Book Value	Fair Value	Book Value	Fair Value
Financial assets with book value equal to fair value	\$29,254,464	29,254,464	\$25,283,198	25,283,198
Financial assets measured at fair value through profit or loss - current				
Open-end mutual funds and money market instruments	439,905	439,905	935,482	935,482
Operating securities	17,799,350	17,799,350	23,954,219	23,954,219
Call options – speculation	13,967	13,967	10,733	10,733
Deposits for future transaction	721,986	721,986	332,526	332,526
Financial derivative instruments assets - O.T.C.	-	-	107,261	107,261
Available-for-sale financial assets - non-current	1,327,661	1,327,661	1,334,681	1,334,681
Total	\$49,557,333	49,557,333	\$51,958,100	51,958,100

Financial Liabilities	December 31,			
	2007		2006	
	Book Value	Fair Value	Book Value	Fair Value
Financial liabilities with book value equal to fair value	\$13,175,665	\$13,175,665	\$14,547,151	14,547,151
Financial liabilities measured at fair value through profit or loss - current				
Redeemable bonds - financing securities	-	-	542,668	542,668
Redeemable bonds - adjustments in value of financing securities	-	-	257	257
Liabilities for stock warrants issued	1,038,706	1,038,706	385,720	385,720
Repurchased stock warrants	(888,439)	(888,439)	(293,370)	(293,370)
Put options - speculation	123,026	123,026	56,945	56,945
Financial derivative instruments liabilities - O.T.C.	107,570	107,570	79,901	79,901
Total	\$13,556,528	\$13,556,528	\$15,319,272	15,319,272

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

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

The fair values of short-term instruments are estimated using their book value. Since such instruments will mature within a short time, book value is a reasonable basis to estimate the fair value. Short-term financial instruments comprise financial assets such as cash and cash equivalents, receivables from securities financing, receivables from refinancing guarantee, and financial liabilities, such as short-term borrowings,

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

commercial paper payable, and securities financing guaranty deposits-in.

(b) Financial assets and liabilities:

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

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

Names of Financial Assets and Financial Liabilities	2007.12.31	
	Amount by open market price	Amount by evaluation method
Financial Assets		
Financial assets with book value equal to fair value	\$ -	29,254,464
Financial asset measured at fair value through profit or loss - current		
Open-end mutual funds and money market instruments	439,905	-
Operating securities	17,799,350	-
Call options – speculation	13,967	-
Deposits for future transactions	721,986	-
Available-for-sale financial assets – non-current	-	1,327,661
Financial Liabilities		
Financial liabilities with book value equal to fair value	-	13,175,665
Financial liabilities measured at fair value through profit or loss - current		
Liabilities for stock warrants issued	1,038,706	-
Repurchased stock warrants	(888,439)	-
Put options - speculation	123,026	-
Financial derivative instruments liabilities - O.T.C	107,570	-

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

Names of Financial Assets and Financial Liabilities	2006.12.31	
	Amount by open market price	Amount by evaluation method
Financial Assets		
Financial assets with book value equal to fair value	\$ -	25,283,198
Financial asset measured at fair value through profit or loss - current		
Open-end mutual funds and money market instruments	935,482	-
Operating securities	23,954,219	-
Call options – speculation	10,733	-
Deposits for future transactions	332,526	-
Financial derivative instruments assets - O.T.C..	107,261	-
Available-for-sale financial assets – non-current	-	1,334,681
Financial Liabilities		
Financial liabilities with book value equal to fair value	-	14,547,151
Financial liabilities measured at fair value through profit or loss - current		
Redeemable bonds investment- financing securities	542,668	-
Redeemable bonds investment - adjustments in value of financing securities	257	-
Liabilities for stock warrants issued	385,720	-
Repurchased stock warrants	(293,370)	-
Put options - speculation	56,945	-
Financial derivative instruments liabilities - O.T.C	79,901	-

(d) Financial Risk Information

1. Market risk

Market risk is the risk that the Company will suffer losses due to market interest rate or exchange rate fluctuation. As the result, a 1% increase in market rate will decrease the fair value of bonds. If the transaction purpose is to hedge, market risk will be eliminated by the hedged items. If the transaction purpose is trading, the Company will set a stop-loss point in the beginning. Therefore, the Company can confine the losses within an expected range.

2. Credit risk

The Company's main latent credit risk were from Cash and Cash equivalents, Receivables and financial assets at fair value through profit or loss. To divide its risk effectively, the Company makes deposits in several well-known financial institutions. Moreover, for investments, the Company only deals with high-credit-ranking companies for the purpose of eliminating credit risk. The Company not only evaluates trading parties' credit condition before making a deal, but evaluates counterparties' credit condition on an ongoing basis during the course of trading.

3. Liquidity risk

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

The Company entered into interest rate swap contracts to manage interest rate fluctuations. Instead of paying or receiving the nominal principal on the maturity date, the Company only pays or receives differential interest on the payment date. Since there is no cash flow out for the nominal principal, liquidity risk is low.

4. Cash flow risk arising from interest rate change

Short-term and long-term loans of the Company were fixed-rate liabilities. Therefore, changes in interest rate will not affect future cash flow of the Company

Investment in bonds of the company were fixed-rate and floating rate. Therefore, changes in interest rate will affect future cash flow of the Company.

(e) Risk management organization structure and policy

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

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

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

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

(g) Information of the credit risk conspicuously assemble :

Due to the company do not make all transactions with only one client among the widespread clients they owned ,the credit risk do not apparently assemble.

(24) RELATED-PARTY TRANSACTIONS

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

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

<u>Name of related party</u>	<u>Relationship with the Company</u>
Jih Sun Holdings Co., Ltd.	Parent company of the Company
Jih Sun Futures Co., Ltd.	Investee company accounted for under the equity method
Jih Sun Securities Investment Consulting Co., Ltd.	"
Jih Sun International Bank Co., Ltd.	Its president is the spouse of the president of the Company.
Jih Sun Cresvale Securities International Limited	A third-level subsidiary of the Company

(B) Significant Transactions with Related Parties

(a) In 2007 and 2006, brokerage commissions from securities trading were as follows:

<u>Name of related party</u>	<u>2007</u>		<u>2006</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Jih Sun International Bank Co., Ltd.	<u>\$ 2,746</u>	<u>-</u>	<u>\$ 4,165</u>	<u>-</u>

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

(b) The bond transactions with repurchase/resale agreements with related parties in 2007 and 2006 were as follows:

Liabilities of bonds with repurchase agreements

<u>Name of related party</u>	<u>2007</u>		<u>2006</u>	
	<u>Interest expense</u>	<u>Ending balance</u>	<u>Interest expense</u>	<u>Ending balance</u>
Jih Sun International Bank Co., Ltd.	\$ 3,253	493,219	\$ 67	-
Jih Sun Futures Co., Ltd.	432	39,048	439	88,520
Total	<u>\$ 3,685</u>	<u>532,267</u>	<u>\$ 506</u>	<u>88,520</u>

Investment in redeemable bonds

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

<u>Name of related party</u>	<u>2007</u>		<u>2006</u>	
	<u>Interest revenue</u>	<u>Ending balance</u>	<u>Interest revenue</u>	<u>Ending balance</u>
Jih Sun International Bank Co., Ltd.	<u>\$ 5,708</u>	<u>-</u>	<u>\$ 36,002</u>	<u>2,149,391</u>

Terms of bond repurchase/resale agreements with related parties above are the same as those with non-related parties.

(c) Lease

The rental of offices to related parties was as follows:

<u>Name of related party</u>	<u>2007</u>	<u>2006</u>
Jih Sun Futures Co., Ltd.	\$ 8,450	\$ 8,454
Jih Sun International Bank Co., Ltd.	17,421	17,009
Jih Sun Securities Investment Consulting Co., Ltd.	723	723
Total	<u>\$ 26,594</u>	<u>\$ 26,186</u>

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

<u>Name of related party</u>	<u>2007</u>	<u>2006</u>
Jih Sun International Bank Co., Ltd.	<u>\$ 8,036</u>	<u>6,542</u>

The guarantee deposits received from related parties were as follows:

<u>Name of related party</u>	<u>December 31,</u>	
	<u>2007</u>	<u>2006</u>
Jih Sun Futures Co., Ltd.	\$ 1,840	1,840
Jih Sun International Bank Co., Ltd.	4,042	4,405
Total	<u>\$ 5,882</u>	<u>6,245</u>

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

December 31,

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

Name of Related Party	2007		2006	
	Amount	%	Amount	%
<u>Accounts Receivable</u>				
Jih Sun Holdings Co., Ltd.	\$ -	-	1,172	-
Jih Sun International Bank Ltd.	-	-	40	-
Jih Sun Futures Co., Ltd.	13,730	1	14,355	1
Total	<u>\$ 13,730</u>	<u>1</u>	<u>15,567</u>	<u>1</u>
<u>Other Receivables</u>				
Jih Sun International Bank Ltd.	\$ 12,239	26	14,008	52
Jih Sun Futures Co., Ltd.	640	1	513	2
Total	<u>\$ 12,879</u>	<u>27</u>	<u>14,521</u>	<u>54</u>
<u>Other Payables</u>				
Jih Sun International Bank Ltd.	\$ 39	-	300	-
Jih Sun Holdings Co., Ltd. (Note)	625,955	30	314,924	21
Jih Sun Securities Investment Consulting Co., Ltd.	1,585	-	2,387	-
Total	<u>\$ 627,579</u>	<u>30</u>	<u>317,611</u>	<u>21</u>

Note: This amount was payables to parent company for the consolidated tax return.

(f) Others

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

	<u>2007</u>	<u>2006</u>
Securities registration and service fee (revenue from computer printing included)	\$ 481	480
Commission revenue for futures	165,700	190,406
Revenue from utilities expense allocated	3,226	2,719
Clearing fee	11	4
Futures settlement fund (recorded as guarantee deposits paid)	48,000	48,000

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

<u>2007</u>	<u>2006</u>
-------------	-------------

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

Securities registration and service fee (revenue from computer printing included)	\$ 660	480
Revenue from management fee allocated (Note)	163,687	125,979
Financial expenses	1,669	304
Revenue from utilities expense allocated	2,934	3,265

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

As of December 31, 2007 and 2006, the Company had a deposit balance in Jih Sun International Bank Ltd. were as follows:

	Ending balance	Max balance	Interest	Interest rate range
2007	\$ 1,657,316	6,671,282	10,853	0.0%~2.58%
2006	524,875	1,624,992	3,402	0.0%~2.35%

As of December 31, 2007 and 2006, Jih Sun International Bank Co., Ltd. had approved a guaranteed line of credit amounting to \$1,100,000 thousand to the Company, and the loan balances were \$460,000 and \$1,000,000 thousand of December 31, 2007 and 2006, respectively. As of December 31, 2007, and 2006, the company had provided time deposits and securities amounting to \$360,000 thousand as pledged assets .

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

	2007	2006
Professional fee	\$ 19,008	19,998
Magazine fee	4,526	6,089
	\$ 23,534	26,087

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

	2007	2006
Securities registration and service fee (revenue from computer printing included)	\$ 14,706	14,235

5. The Company paid brokerage handling charges to Hong-Kong JS Cresvale Securities International Limited for securities trading abroad of \$3,230 thousand and \$472 thousand in 2007 and 2006, respectively.

(25) PLEDGED ASSETS

December 31,

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

<u>Pledged assets</u>	<u>Objects</u>	<u>2007</u>	<u>2006</u>
Pledged assets – current	Bank Loan	\$ 1,436,500	1,859,316
Pledged assets – non-current	Corporate Bonds	60,000	60,000
Funds and long-term investments	Bank Loan	735,572	764,752
Fixed assets – land	Corporate Bonds	1,259,205	1,259,205
– building (net)	Corporate Bonds	389,112	400,094
Time deposits (recorded as guarantee deposits paid)	Court Drawing	14,000	14,000
Total		<u>\$ 3,894,389</u>	<u>4,357,367</u>

(26) SIGNIFICANT COMMITMENTS AND CONTINGENCIES

The Company's significant commitments and contingencies on December 31, 2007 and 2006, are summarized as follows:

- (A) As of December 31, 2007 and 2006, the Company had issued post-dated checks for future rental payments, which amounted to \$30,544 thousand and \$31,987 thousand, respectively.
- (B) As of December 31, 2007 and 2006, in connection with its securities financing activities, the Company held client-owned stocks which amounted to approximately 1,142,461,320 shares and 1,110,583,060 shares, respectively; stocks loaned out to clients amounted to approximately 28,668,000 shares and 63,697,000 shares, respectively, for which the Company received guarantee deposits in full from the clients.
- (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 \$36,149 thousand. The Company has applied to the court for sequestration to avoid the loss from employer responsibility. The Company made guarantee deposits of \$14,000 thousand to the court (recorded as guarantee deposits-out) and seized the debtor's assets.
- (D) The Company acted as the co-underwriter for Jeng-Yih Company's application for government approval to trade over the counter. Subsequently, Jeng-Yih Company stopped trading over the counter because of a significant amount of notes unpaid. Therefore, the investors have sued the directors and supervisors, the independent auditors, and the underwriters of Jeng-Yih Company for total damages of \$71,017 thousand. The litigation procedure is currently in process.
- (E) As of December 31, 2007 and 2006, the Company had applied to the court for provisional seizure in connection with protection of its rights related to collateral on defaulted securities transactions. Therefore, the Company made guarantee deposits of \$8,984 thousand and \$8,817 thousand, respectively (recorded as guarantee deposit-out) and seized the debtor's assets.
- (F) Three customers of the Tai-Chung Branch alleged that a former employee at the Tai-Chung Branch had sold their stock without permission, and stolen their bank savings. Therefore, the client requested the Company to be responsible jointly and claimed for

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

\$82,757 thousand with interest. The litigation procedure is in process. Except the case that client Yang sued the Company for \$26,890 thousand was a controversial issue, the other two clients' claim in the early part should be considered a debt dispute between the client and the employee, and the Company should not be responsible for any compensation liability.

- (G) The company had applied to the court to its customer, Mr. Yang and Mr. Lin for requesting them to payback the financing debt resulting from purchasing stocks, amounting of \$9,902 thousand and interest related. The litigation procedure is still in process.
- (H) The customer of Xin-Yi branch alleged that the employee did not follow the instruction to buy or sell stock, so the client requested the company to pay \$13,732 thousand about a loss. The claim in the early part should be considered a debt dispute between the client and the employee, and the company should not be responsible for any compensation liability.

(27) SIGNIFICANT CASUALTY LOSS : NONE

(28) SIGNIFICANT SUBSEQUENT EVENTS : NONE

(29) OTHERS

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

	2007			2006		
	Operating cost	Operating expense	Total	Operating cost	Operating expense	Total
Employee expense						
Payroll	-	1,714,200	1,714,200	-	1,625,376	1,625,376
Insurance	-	99,371	99,371	-	98,087	98,087
Retirement	-	93,990	93,990	-	82,148	82,148
Others	-	55,909	55,909	-	59,402	59,402
Depreciation	-	155,864	155,864	-	174,359	174,359
Depletion	-	-	-	-	-	-
Amortization	-	44,186	44,186	-	38,891	38,891

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

As of December 31, 2007 and 2006, disclosures related to the Company's financial ratios,

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

as required by the Rules Governing Futures Commission Merchants, were as follows:

Article	Formula	Current Period		Previous Period		Benchmark	Result
		Calculation	Ratio	Calculation	Ratio		
17	Equities/(Liabilities – Customers' Equity in Futures Transactions – Futures Trading Loss Reserve – Default Reserve)	$\frac{1,618,292}{125,675}$	1,288%	$\frac{1,706,070}{57,010}$	2,993%	≥ 1	Meets benchmark
17	Current Assets/Current Liabilities	$\frac{1,702,397}{125,675}$	1,355%	$\frac{1,713,066}{57,010}$	3,005%	≥ 1	"
22	Equities/Minimum Paid-in Capital	$\frac{1,618,292}{400,000}$	405%	$\frac{1,706,070}{400,000}$	427%	$\geq 60\%$ $\geq 40\%$	"
22	Adjusted Net Capital/The Total Amount of Margins Required for the Non-offset Position of the Futures Customers	$\frac{1,390,714}{236,952}$	587%	$\frac{1,560,922}{161,663}$	966%	$\geq 20\%$ $\geq 15\%$	"

(C) Special Risk of Futures Contracts

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

(D) Reclassification

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

(30) SEGMENT FINANCIAL INFORMATION DISCLOSURE

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

(A) The Company's financial information on industry segments for 2007 and 2006 is as follows:

<u>2007</u>	<u>Brokerage</u>	<u>Dealer</u>	<u>Underwriter</u>	<u>Warrants</u>	<u>Futures</u>	<u>Total</u>
Revenue	\$ 5,784,575	934,050	391,242	599,880	946,982	8,656,729
Segment income or loss	\$ 2,949,317	193,641	272,371	128,294	(107,423)	3,436,200
Non-operating income						775,026
General expenses						(849,342)
Income from continuing operations						3,361,884
Identifiable assets	\$24,046,610	17,203,333	908,609	841,838	735,953	43,736,343
Funds and long-term investments						4,256,894
General assets						7,896,438
Total assets						55,889,675
Depreciation and amortization expenses	\$ 121,026	4,089	1,738	2,607	5	129,465
<u>2006</u>	<u>Brokerage</u>	<u>Dealer</u>	<u>Underwriter</u>	<u>Warrants</u>	<u>Futures</u>	<u>Total</u>
Revenue	\$ 4,007,204	966,586	257,700	169,187	64,748	5,465,425
Segment income or loss	\$ 1,472,306	75,121	151,629	14,836	(7,972)	1,705,920
Non-operating income						572,585
General expenses						(741,070)
Income from continuing operations						1,537,435
Identifiable assets	\$ 17,653,434	28,441,348	1,322,094	640,605	343,259	48,400,740
Funds and long-term investments						4,062,755
General assets						11,311,100
Total assets						63,774,595
Depreciation and amortization expenses	\$ 126,202	4,212	1,910	2,684	14	135,022

The company primarily engages in the activities of securities brokerage, securities dealing, securities underwriting, stock warrant issuance, futures dealing, and auxiliary services for futures trading. The above-listed segment income refers to segment income from customers outside of the Company, but it does not include the Company's non-operating income not related to the segment.

The segment income or loss refers to the balance after deducting segment cost and expenses. Such costs and expenses relate to segment income. Indirect operating costs and expenses are allocated to each segment based upon the percentage of employees, but the segment costs and expenses do not include the Company's general expenses not related to the segment.

Segment identifiable assets are based on tangible and non-tangible assets directly associated with the segment. If two or more segments use such assets, then they are allocated to each segment based upon the percentage of employees. However, the segment identifiable assets do not include the following:

- (a) Assets not held specifically for any one segment's operating use.
- (b) Long-term equity investments accounted for under the equity method and cost method.

(B) Information by geographical region and export information

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

There is no overseas operating unit, and the area of operations is in Taiwan. There is no overseas operating income.

(C) Information on major clients

No single client represented 10% or more of the Company's operating revenues during 2007 and 2006.

JIH SUN SECURITIES CO., LTD. — FUTURES DEPARTMENT

SEGMENT FINANCIAL INFORMATION DISCLOSURE

AS OF DECEMBER 31, 2007 and 2006

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Jih Sun Securities Co., Ltd. – Futures Department
Balance Sheets
December 31, 2007 and 2006
(expressed in thousands of New Taiwan dollars)

	December 31,					December 31,			
	2007		2006			2007		2006	
<u>Assets</u>	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>	<u>Liabilities and Stockholders' Equity</u>	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Current Assets					Current Liabilities				
Cash and cash equivalents (Note 4)	\$ 965,040	55	1,369,448	79	Financial liabilities measured at fair value through profit or loss - current	\$ 123,025	8	56,946	4
Financial assets measured at fair value through profit or loss – current(Note 5)	735,953	42	343,259	19	Other payable – non-related party	2,650	-	64	-
Prepayments	966	-	141	-	Total current liabilities	125,675	8	57,010	4
Other receivables - non-related party	325	-	218	-	Other Liabilities				
Other receivables - related party	113	-	-	-	Securities trading loss reserve	8,430	-	-	-
Total current assets	<u>1,702,397</u>	<u>97</u>	<u>1,713,006</u>	<u>98</u>	Total Current Liabilities	<u>8,430</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fixed Assets					Total Liabilities	<u>134,105</u>	<u>8</u>	<u>57,010</u>	<u>4</u>
Equipment	-	-	198	-	Stockholders' Equity				
Accumulated depreciation - equipment	-	-	(184)	-	Assigned working capital	1,700,000	97	1,700,000	96
Fixed assets(Net)	<u>-</u>	<u>-</u>	<u>14</u>	<u>-</u>	Retained earnings (or Accumulated loss)	(81,708)	(5)	6,070	-
Other Assets					Total stockholders' equity	1,618,292	92	1,706,070	96
Operating deposits (Note 6)	10,000	1	10,000	-					
Securities settlement fund	40,000	2	40,000	2					
Total other assets	<u>50,000</u>	<u>3</u>	<u>50,000</u>	<u>2</u>					
Total Assets	<u>\$1,752,397</u>	<u>100</u>	<u>1,763,080</u>	<u>100</u>	Total Liabilities and Stockholders' Equity	<u>\$ 1,752,397</u>	<u>100</u>	<u>1,763,080</u>	<u>100</u>

(See the accompanying notes to the financial statements)

Jih Sun Securities Co., Ltd. – Futures Department
Statements of Income
For the years ended December 31, 2007 and 2006
(expressed in thousands of New Taiwan dollars)

Items	2007		2006	
	Amount	%	Amount	%
Revenue				
Gain on financial derivative instruments- future	\$ 946,982	98	1,540,141	99
Non-operating income	23,993	2	15,579	1
	<u>970,975</u>	<u>100</u>	<u>1,555,720</u>	<u>100</u>
Expense				
Handling charges - dealers	3,775	-	8,566	1
Clearing fee	2,686	-	6,213	-
Loss on financial derivative instruments- future	1,000,087	103	1,475,412	95
Operating expense	47,567	5	57,941	4
Non-operating expenses	2,862	-	1,194	-
	<u>1,056,977</u>	<u>108</u>	<u>1,549,326</u>	<u>100</u>
Income (loss) before income tax	(86,002)	(8)	6,394	-
Income tax expense	(1,776)	-	(324)	-
Net income (loss)	<u>\$ (8,778)</u>	<u>(8)</u>	<u>6,070</u>	<u>-</u>

(See the accompanying notes to the financial statements)

JIH SUN SECURITIES CO., LTD. – FUTURES DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(expressed in thousands of New Taiwan dollars, unless otherwise stated)

(1) ORGANIZATION AND OPERATIONS

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

(2) SIGNIFICANT ACCOUNTING POLICIES

The Company’s financial statements were prepared in accordance with the “Criteria Governing the Preparation of Financial Statements by Futures Commission Merchants”, “Business Entity Accounting Act”, “Regulation on Business Entity Accounting Handling” and generally accepted accounting principles in the Republic of China. A summary of significant accounting policies and the measurement basis is as follows:

(A) Estimate of Accounting

The Company’s financial statements were prepared in accordance with generally accepted accounting principles. The company had to use the reasonable amount of estimation for allowance for doubtful accounts, pension, asset impairment, default indemnity reserve, securities trading loss reserve, etc. Because estimation was usually judged under the uncertain condition, it probably had the difference from future actual effect.

(B) Asset impairment

Effective from 2004, the Company adopted Statement of Financial Accounting Standards No. 35 (SFAS No. 35) “Impairment of Assets”. In accordance with SFAS No. 35, the Company assesses at each balance sheet date whether there is any indication that an asset (individual asset or cash-generating unit other than goodwill) may have been impaired. If any such indication exists, the Company estimates the recoverable amount of the asset. The Company recognizes impairment loss for an asset whose carrying value is higher than the recoverable amount.

The Company reverses an impairment loss recognized in prior periods for assets other than goodwill if there is any indication that the impairment loss recognized no longer exists or has decreased. 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.

(C) Translation of Foreign Currency Transaction and Foreign Currency Financial Statement

The non-derivative foreign currency transactions of the Bank are recorded at the rate of exchange prevailing on the date of the transaction. Monetary assets and liabilities denominated in foreign currency translated into the functional currency at the rate of exchange ruling at the balance sheet date. Any resulting exchange differences are included in the income statement. Non-monetary assets and liabilities that are measured in terms of

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

historical cost in a foreign currency are translated into the functional currency using the rate of exchange at the date of the initial transaction. Non-monetary assets and liabilities measured at fair value in a foreign currency are translated into the functional currency using the rate of exchange ruling at the balance sheet date. Any exchange differences resulting from fair value variation through profit and loss are included in the income statement, and exchange differences resulting from fair value variation through equity are accounted for under equity adjustments. Foreign currency denominated assets and liabilities of overseas subsidiaries are translated at the spot rate on the balance sheet date. The foreign operating institutions with equity-method are all recorded by functional currency. The components of their stockholders' equity is translated at the historical rate with difference reflected as cumulative translation adjustments to stockholders' equity.

(D) Classification of Assets and Liabilities as Current or Non-current

Current assets are those which will be converted into cash or be used up in one year. Other assets are classified as non-current assets. Current liabilities are those which will be paid off in one year. Other liabilities are classified as non-current liabilities.

(E) Cash and Cash Equivalents

Cash and cash equivalents include cash, bank accounts, and short-term investments which could be converted to cash anytime and which do not have a significant level of market risk related to potential interest rate changes.

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

The company adopted SFAS No. 34 "Accounting for Financial Instruments" commencing from January 1, 2006. The company adopted transaction-date accounting for financial instrument transactions. At the beginning of recognition, financial instruments are evaluated at fair value.

Financial assets held for trading means financial instruments referred as trading purpose at the beginning of recognition.

Financial assets - trading include the following:

- (a) The main purpose is to sell or repurchase in the short run.
- (b) Belongs to the part of identified financial instrument combination. The significant evidence reveal that combination would gain in the short run
- (c) Financial derivative instruments assets (Except for financial guaranteed contract and assigned as derivative instrument of effective hedging)

Financial assets held for trading should be classified as open-end funds and money market instrument, trading securities and derivative instruments according to the trading purpose.

Financial assets at fair value through profit or loss, other than OTC stocks, shall be measured at their fair value, which is the market closing price at the balance sheet date. The fair value of open-end mutual funds is the net asset value at the balance sheet date.

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

If there is an increase in financial assets at fair value through profit or loss due to stock dividends received, the number of shares received shall be noted and the cost of investment shall be recalculated by applying the weighted-average method.

Financial assets at fair value through profit or loss which the Company classified on January 1, 2006, in compliance with SFAS No. 34, “Financial Instruments: Recognition and Measurement”, cannot be reclassified again thereafter. On the other hand, those that do not belong to financial assets at fair value through profit or loss cannot be reclassified to this category.

(G) Fixed Assets and Depreciation

Property and equipment are stated at cost. Except for land, depreciation is calculated by the straight-line method over estimated economic lives. Leasehold improvements should be depreciated by the straight-line method over the lease period or estimated economic lives, which is shorter. Major additions and improvements are capitalized, while repairs and maintenance are recorded as current expense when incurred.

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

The company adopted SFAS No. 34 “Accounting for Financial Instruments” commencing from January 1, 2006. The financial instruments the company held was financial assets at fair value through profit or loss.

The company adopted transaction-date accounting for financial instrument transactions. At the beginning of recognition, financial instruments are evaluated at fair value. Except for trading-purpose financial instruments, acquisition cost or issuance cost is added to the original recognized amount. .

Financial liabilities measured at fair value through profit or loss are those whose changes in fair value are charged to the income statement.

Financial liabilities include the following:

- (a) Those sold principally for the purpose of repurchasing them in the near term.
- (b) Part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking.
- (c) Derivative liabilities.
- (d) Pecuniary and securities financing and refinancing.
- (e) The subsequent evaluation of the financial assets have been estimated at fair value and its fair value was negative. The subject was classified as redeemable bonds, call warrants, securities and derivative instruments, etc.

Proceeds received from issuing stock warrants are recorded as liabilities for issuance of call warrants in the accompanying non-consolidated balance sheets. These stock warrants are

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

recorded as liabilities for issuance of call warrants to repurchase if the Company is allowed to repurchase those warrants from the market. Liabilities for issuance of call warrants and liabilities for issuance of call warrants to repurchase are valued at market value on the balance sheet date. The decrease in such liabilities is recognized as a gain on issuance of call warrants. As stipulated in SFC regulations, the increase in liabilities for issuance of call warrants is deferred but not recorded as a loss in the current period if such an increase is less than the unrealized gain on evaluation of operating securities – hedging. However, if the increase in liabilities for issuance of call warrants exceeds the unrealized gain on evaluation of operating securities – hedging, the excess amount is recognized as a loss. The company adopted SFAS No. 34 “Accounting for Financial Instruments” commencing from January 1, 2006, the unrealized loss will be recognized in the current year .

The issuer can take the cash settlement method if you do not exercise over the due date according to the SFS NO.0920102843; if do not have the exercise-value, the call warrants will lose its efficiency. According to the exercise-value to exercise by cash, we need to add the market price of the call warrants. Then less the market price to recognize the revenue by moving-averaged method.

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

(I) Trading Losses Reserve

A securities firm engaged in futures dealing business must, on a monthly basis, set aside 10% of the realized net profit of each month as a reserve for trading losses. Such reserve may only be used to offset the excess of futures trading loss over gain.

(J) Inter-departmental Account

The Company engages in the activities of futures dealing. The account used to account for transactions between the securities and futures department is the inter-departmental account.

(K) Assigned Working Capital

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

(L) Recognition of Revenue

Revenue is recognized when realized or deemed realizable and earned.

(M) Income Tax

The Company adopted Statement of Financial Accounting Standards No. 22, “Accounting

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

for Income Tax”, and recognizes deferred income tax liabilities for future taxable temporary differences and deferred income tax assets for future deductible temporary differences, prior year loss carryforwards, and investment tax credits. The future realization of deferred income tax assets is assessed, and a valuation account, if needed, is provided accordingly.

(3) REASONS FOR AND EFFECT OF ACCOUNTING CHANGES

As of January 1, 2007, according to the Republic of China Statements of Financial Accounting Standards (SFAS) No. 37 “Accounting for Intangible Assets”, there is no effect for net income and earning per share for the department.

Effective January 1, 2006, the department adopted the Republic of China Statements of Financial Accounting Standards (SFAS) No. 34 “Financial Instruments: Recognition and Measurement”. During initial recognition, financial assets and financial liabilities should be reclassified and measured with the fair value and amortized cost, there is no effect for the department.

(4) CASH AND CASH EQUIVALENTS

	December 31,	
	2007	2006
Demand deposits	\$ 20,850	11,832
Time deposits	600,000	-
Commercial paper	344,190	1,357,616
Total	\$ 965,040	1,369,448

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

	December 31,	
	2007	2006
Call options – speculation	\$ 13,967	10,733
Deposits on future transactions	721,986	332,526
	\$ 735,953	343,259

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

(6) OPERATING DEPOSITS

In accordance with the “Rules Governing Futures Commission Merchants”, as of December 31, 2007 and 2006, the company’s futures department had provided \$10,000 thousand of time deposits as operating deposits.

(7) FINANCIAL INSTRUMENTS

(A) Financial Derivatives Instruments :

(a) Contract amount and fair value

As of December 31, 2007 and 2006, the Company’s futures contracts were as follows:

<u>Items</u>	<u>Transaction Type</u>	<u>Holder Seller</u>	<u>Volume</u>	<u>Contract Amount</u>	<u>Fair Value</u>	<u>Notes</u>
Dec. 31, 2007						
Futures	Financial Index Futures	Holder	2	\$ 1,852	1,880	Speculation
Futures	TAIFEX Gold Futures	Holder	4	334	339	"
Futures	10 – year Government Bond Futures	Holder	1	5,150	5,147	"
Futures	Taiwan Stock Index Futures	Holder	430	704,699	729,544	"
Total			<u>437</u>	<u>\$ 712,035</u>	<u>736,910</u>	
Options	Call Option	Holder	528	\$ 18,965	12,743	Speculation
Options	Put Options	Holder	60	949	751	"
Options	Call options - Stock	Holder	26	383	417	"
Options	Morgan Taiwan Stock Index Option	Holder	20	83	56	"
Total			<u>634</u>	<u>\$ 20,380</u>	<u>13,967</u>	
Futures	Electronics Index Futures	Seller	7	\$ (9,220)	(9,825)	Speculation
Futures	TAIFEX Gold Futures	Seller	5	(420)	(424)	"
Total			<u>12</u>	<u>\$ (9,640)</u>	<u>(10,249)</u>	
Options	Call Option	Seller	14,046	\$ (74,775)	(89,607)	Speculation
Options	Put Options	Seller	8,213	(45,430)	(32,131)	"
Options	Electronics Index Option- Call Option	Seller	15	(54)	(109)	"
Options	Electronics Index Option- Put Option	Seller	10	(49)	(10)	"
Options	Financial Index Option- Call Option	Seller	142	(527)	(533)	"
Options	Financial Index Option- Put Option	Seller	135	(1,053)	(111)	"
Options	Market Stock Index Options- Call	Seller	32	(85)	(158)	"
Options	Non Electronics Sub-Index Option- Call	Seller	20	(176)	(265)	"
Options	Market Stock Index Options- Call	Seller	20	(62)	(10)	"
Options	Morgan Taiwan Stock Index Option	Seller	10	(55)	(92)	"
Total			<u>22,643</u>	<u>\$ (122,266)</u>	<u>(123,026)</u>	

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

Items	Transaction Type	Holder Seller	Volume	Contract Amount	Fair Value	Notes
Dec. 31, 2006						
Futures	Taiwan Stock Index Futures	Holder	372	\$ 580,900	586,284	Speculation
Futures	Electronics Index Futures	Holder	35	46,010	46,522	"
Futures	Financial Index Futures	Holder	9	9,551	9,691	"
Total		Holder	416	\$ 636,461	642,497	
Options	Call Option	Holder	1,127	\$ 6,446	8,674	Speculation
Options	Put Options	Holder	3,471	2,693	1,928	"
Options	Call options - Stock	Holder	15	1	1	"
Options	Put options - Stock	Holder	4	60	47	"
Options	Morgan Taiwan Stock Index Option	Holder	30	71	83	"
Total			4,647	\$ 9,271	10,733	
Options	Call Option	Seller	3,748	\$ (24,152)	(53,881)	Speculation
Options	Put Options	Seller	1,917	(7,904)	(2,639)	"
Options	Call options - Stock	Seller	35	(233)	(228)	"
Options	Financial Index Option -Call Option	Seller	26	(103)	(164)	"
Options	Financial Index Option -Put Option	Seller	3	(12)	(8)	"
Options	Morgan Taiwan Stock Index Option	Seller	20	(74)	(25)	"
Total			5,749	\$ (32,478)	(56,945)	

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, 2007 and 2006.

(b) Credit risk

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

(c) Market risk

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

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

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

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

- (e) Presentation of financial derivative instruments in the financial statements

Premiums paid by the Company related to futures contracts entered into for trading purposes are recognized as assets. Gains or losses as a result of evaluation, offset and settlement are recognized as current income. Guaranty deposits made by the Company for engaging in futures trading and option contract trading were recorded under current assets as futures margin deposits and call/put options, respectively. The above futures and options are valued at their fair values on the balance sheet date.

(B) Fair Value of Financial Instruments

	December 31,			
	2007		2006	
	Book Value	Fair Value	Book Value	Fair Value
Financial Assets				
Financial assets with book value equal to fair value	\$ 1,015,365	1,015,365	1,419,666	1,419,666
Financial asset measured at fair value through profit or loss - current				
Call options – speculation	13,967	13,967	10,733	10,733
Deposits for future transaction	721,986	721,986	332,526	332,526
TOTAL	\$ 1,751,318	1,751,318	1,762,925	1,762,925
Financial Liabilities				
Financial liabilities with book value equal to fair value	\$ 2,650	\$ 2,650	64	64
Financial liabilities measured at fair value through profit or loss - current				
Liabilities of put options	123,025	123,025	56,946	56,946
TOTAL	\$ 125,675	\$ 125,675	57,010	57,010

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

- (a) Fair values of short-term instruments are estimated using their book value. Since such instruments will mature within a short time, book value is a reasonable basis to estimate the fair value. Short-term financial instruments comprise financial assets such as cash and cash equivalents, receivables, operating deposits, securities settlement funds, payables, and securities trading loss reserve.

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

- (b) Open-end funds and money market instruments, marketable securities, call operation contract, and future contract :

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

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

	2007.12.31	
	Amount by open market price	Amount by evaluation method
Financial Assets		
Financial assets with book value equal to fair value	\$ -	1,015,365
Call options – speculation	13,967	-
Deposits for future transaction	721,986	-
Financial liabilities		
Financial liabilities with book value equal to fair value	-	2,650
Put options-speculation	123,025	-

	2006.12.31	
	Amount by open market price	Amount by evaluation method
Financial Assets		
Financial assets with book value equal to fair value	\$ -	1,419,666
Call options – speculation	10,733	-
Deposits for future transaction	332,526	-
Financial liabilities		
Financial liabilities with book value equal to fair value	-	64
Put options-speculation	56,946	-

- (d) Financial risk information

1. Market risk

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

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

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

2. Credit risk

The Company's main latent credit risk were from cash and cash equivalents, other receivables and financial assets at fair value through profit or loss, etc. To divide its risk effectively, the company makes deposits in several well-known financial institutions. Moreover, for investments, the company only deals with high-credit-ranking companies for the purpose of eliminating credit risk. The company not only evaluates trading parties' credit condition before making a deal, but evaluates counterparties' credit condition on an ongoing basis during the course of trading.

3. Liquidity risk

The capital and operating capital of the company can support to execute all the obligation of the contract, so there is not the risk of not raising the capital. But in order to control the liquidity risk of managing the capital effectively, the company to do the analysis of the capital gap every operating date to cope the emergency .

4. Cash flow risk arising from interest rate change

Investment in bonds of the company were fixed-rate and floating rate. Therefore, changes in interest rate will affect future cash flow of the Company.

(e) Risk management and policy

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

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

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

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

financial items.

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

(g) Information of the credit risk conspicuously assemble :

Due to the company do not make all transactions with only one client among the widespread clients they owned ,the credit risk do not apparently assemble.

(8) RELATED-PARTY TRANSACTIONS

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

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

(B) Significant Transactions with Related Parties : None

(9) PLEDGED ASSETS : NONE

(10) SIGNIFICANT COMMITMENTS AND CONTINGENCIES : NONE

(11) SIGNIFICANT CASUALTY LOSS : NONE

(12) INFORMATION ABOUT FINANCIAL DERIVATIVE INSTRUMENTS

For information about derivative financial instrument trading as of December 31, 2007 and 2006, please refer to Note 7(A).

(13) LIMITS ON FINANCIAL RATIOS AND CONDITIONS ACCORDING TO RULES ON FUTURES TRANSACTIONS

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

Article	Formula	Current Period		Previous Period		Benchmark	Result
		Calculation	Ratio	Calculation	Ratio		
17	Equities/(Liabilities – Customers' Equity in Futures Transactions – Futures Trading Loss Reserve – Default Reserve)	$\frac{1,618,292}{125,675}$	1,288%	$\frac{1,706,070}{57,010}$	2,993%	≥ 1	Meets benchmark
17	Current Assets/Current Liabilities	$\frac{1,702,397}{125,675}$	1,355%	$\frac{1,713,066}{57,010}$	3,005%	≥ 1	"
22	Equities/Minimum Paid-in Capital	$\frac{1,618,292}{400,000}$	405%	$\frac{1,706,070}{400,000}$	427%	$\geq 60\%$ $\geq 40\%$	"
22	Adjusted Net Capital/The Total Amount of Margins Required for the Non-offset Position of the Futures Customers	$\frac{1,390,714}{236,952}$	587%	$\frac{1,560,922}{161,663}$	966%	$\geq 20\%$ $\geq 15\%$	"

(14) SPECIAL RISK OF FUTURES CONTRACTS

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

(15) SEGMENT FINANCIAL INFORMATION DISCLOSURE : NA

(16) SIGNIFICANT SUBSEQUENT EVENTS : NONE

(17) SIGNIFICANT INFORMATION RELATED TO TRANSACTIONS :

- (a) Lending to other parties: None.
- (b) Guarantees and endorsements for other parties: None.
- (c) Information on the acquisition of real estate for which the purchase amount exceeded NT\$100 million or 20% of the Bank's paid-in capital: None.
- (d) Information on the disposal of the real estate for which the sale amount exceeded NT\$100 million or 20% of the Bank's paid-in capital: None.
- (e) Information regarding discounted processing fees on transactions with related parties for which the amount exceeded NT\$5 million: None
- (f) Information regarding receivables from related parties for which the amount exceeded NT\$100 million or 20% of the Bank's paid-in capital: None

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

(18) INFORMATION RELATED TO REINVESTMENT : NONE

(19) INFORMATION OF INVESTMENTS IN MAINLAND CHINA : NONE

(20) OTHERS : NONE