

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

**JIH SUN SECURITIES CO., LTD.  
FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
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.

**Address: 3F, No. 111, Section. 2, Nanking E. Road, Taipei, Taiwan, R.O.C.  
Telephone: (8862) 2504-8888**

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

**FINANCIAL STATEMENTS**

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

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

We have audited the accompanying balance sheets of Jih Sun Securities Co., Ltd. as of December 31, 2010 and 2009 and the related statements of income, changes in stockholders' equity, and cash flows for the years ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Jih Sun Securities Co., Ltd. as of December 31, 2010 and 2009, and the results of its operations and its cash flows for the the years ended, in conformity with the "Regulations Governing the Preparation of Financial Reports by Securities Firms", the "Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants", the related financial accounting standards of the "Business Accounting Act" and of the "Regulation on Business Entity Accounting Handling" and accounting principles generally accepted in the Republic of China.

KPMG  
February 23, 2011  
Taipei, Taiwan, R.O.C.

Note to Readers

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

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

(English Translation of Financial Report Originally Issued in Chinese)  
**JIH SUN SECURITIES CO., LTD.**  
**BALANCE SHEETS**  
**DECEMBER 31, 2010 AND 2009**  
(Expressed in Thousands of New Taiwan Dollars)

ASSETS	DECEMBER 31,				LIABILITIES AND STOCKHOLDER'S EQUITIES	DECEMBER 31,			
	2010	%	2009	%		2010	%	2009	%
	Amount		Amount			Amount		Amount	
<b>CURRENT ASSETS</b>					<b>CURRENT LIABILITIES</b>				
Cash and Cash Equivalents (Notes 2(E), 4(A) and 5(B))	\$ 1,751,243	5	1,330,888	4	Short-term Loans (Notes 4(F),5(B) and 6)	\$ 4,380,000	12	1,380,000	4
Financial Assets Measured at Fair Value through Profit or Loss - Current(Notes 2(F) (G) and 4 (B)(R))	7,298,057	19	6,903,942	20	Commercial Paper Payable, Net (Note 4(G))	2,519,058	7	1,549,658	4
Margin Loans Receivable (Note 2(I))	19,562,237	51	16,278,898	46	Liabilities for Bonds with Attached Repurchase Agreements (Notes 2(H),4(H) and 5(B))	1,774,344	5	3,314,268	9
Refinancing Margin(Note 2(I))	2,201	-	5,004	-	Financial Liabilities Measured at Fair Value through Profit or Loss - Current (Notes 2(G)(N) and 4 (I), (R))	847,182	2	259,022	1
Refinancing Collateral Receivable(Note 2(I))	2,445	-	5,454	-	Securities Financing Refundable Deposits (Note 2(I))	1,667,800	4	1,904,049	5
Security Borrowing Collateral Price	43,846	-	39,730	-	Deposits Payable for Securities Financing (Note 2(I))	1,921,893	5	2,176,778	7
Security Borrowing Margin	38,404	-	35,898	-	Securities Lending Refundable Deposits	77,413	-	-	-
Notes Receivable (Note 2(J))	2,164	-	189	-	Accounts Payable	795,225	2	810,829	2
Accounts Receivable (Note 2(J))	1,034,599	3	1,114,133	3	Amounts Received in Advance	51,201	-	56,796	-
Accounts Receivable - Related Parties (Note 5(B))	9,845	-	11,073	-	Receipts under Custody	28,382	-	7,892	-
Prepayments	9,700	-	17,671	-	Other Payable(Note 2(S), 4 (P) and 5(B))	1,489,032	4	2,084,200	6
Other Receivables (Notes 5(B))	136,459	-	66,050	-	Long-Term Liability - Current Portion(Note 4(J) and 6)	-	-	999,894	3
Restricted Assets - Current(Notes 4(G), (J) and 6)	531,273	1	925,759	3		15,551,530	41	14,543,386	41
Available-for-Sale Financial Assets - Current(Notes 2(F), (K) and 4(C)(R) )	247,224	1	392,151	1	<b>LONG-TERM LIABILITIES</b>				
	30,669,697	80	27,126,840	77	Long-Term Borrowings (Note 4(J) and 6)	1,497,172	4	-	-
						1,497,172	4	-	-
<b>FUNDS AND LONG-TERM INVESTMENTS</b>					<b>OTHER LIABILITIES</b>				
Stock Investments Measured by Equity Method(Notes 2(K)and 4(D))	3,074,326	8	3,165,966	9	Reserve for Loss on Breaches of Contract (Notes 2(O))	200,000	1	200,000	1
Available-for-Sale Financial Assets - Non-current(Notes 2(K) · 4(D) and 6)	1,260,507	3	1,349,812	4	Trading Loss Reserve(Notes 2(P))	50,395	-	59,043	-
	4,334,833	11	4,515,778	13	Other Liabilities - Refundable Deposits(Note 5(B))	6,576	-	7,683	-
<b>Fixed Assets(Notes 2(L), 4(E) and 6)</b>					Accrued Pension Liabilities - Non-current (Notes 2(Q) and 4 (M))	152,079	-	130,042	-
Land	1,259,205	3	1,259,205	4	Other Liabilities - Others(Note 4(K))	28,870	-	28,870	-
Buildings	568,404	2	568,404	2		437,920	1	425,638	1
Machinery and Equipment	895,184	2	925,085	3	<b>TOTAL LIABILITIES</b>	17,486,622	46	14,969,024	42
Prepayment for Equipment	11,484	-	1,320	-	<b>STOCKHOLDER'S EQUITIES</b>				
Leasehold Improvements	367,355	1	386,774	1	Common Stock (Note 4(N))	11,572,127	30	11,572,127	33
	3,101,632	8	3,140,788	10	Capital Surplus - Additional Paid in Capital	1,298,456	3	1,298,456	4
Less: Accumulated Depreciation	1,321,842	3	1,324,289	4	Retained Earnings(Noe 4(O))				
	1,779,790	5	1,816,499	6	Legal reserve	1,855,106	5	1,699,768	5
					Special reserve	4,401,323	11	4,196,415	12
<b>INTANGIBLE ASSETS</b>					Unappropriated Retained Earnings	2,031,219	5	1,553,382	4
Other Intangible Assets (Note 2(M))	28,331	-	50,321	-	Total Retained Earnings	8,287,648	21	7,449,565	21
<b>OTHER ASSETS</b>					Cumulative Translation Adjustments (Note 4(D))	(181,879)	-	(28,082)	-
Operation Guaranteed Deposits	800,000	2	800,000	2	Unrealized (losses) gains on Financial Products (Note 2(K) and 4(C), (D))	(3,586)	-	6,479	-
Clearing and Settlement Fund	423,155	1	399,651	1	Net Loss Not Recognized as Pension Cost (Note 4(M))	(43,238)	-	(21,201)	-
Other Assets - Refundable Deposits (Notes 5(B) · 6 and 7)	130,404	-	132,233	-	<b>TOTAL STOCKHOLDERS' EQUITIES</b>	20,929,528	54	20,277,344	58
Deferred Debits	54	-	90	-	<b>SIGNIFICANT COMMITMENTS AND CONTINGENCIES (Note 7)</b>				
Deferred Income Tax Assets-Non-Current(Notes 2(S)and 4(P))	30,947	-	36,408	-					
Cash and Cash Equivalents - Receipts under Custody from Exercise of Warrant	8	-	8	-					
Cash and Cash Equivalents - Receipts under Custody from Customers' Security Subscription	8	-	8	-					
	1,384,576	3	1,368,398	3					
	218,923	1	368,532	1					
<b>Debit Items for Trade Brokerage (Note 4(L))</b>									
<b>TOTAL ASSETS</b>	<b>\$ 38,416,150</b>	<b>392</b>	<b>46,368</b>	<b>100</b>	<b>TOTAL LIABILITIES AND STOCKHOLDER'S EQUITIES</b>	<b>\$ 38,416,150</b>	<b>100</b>	<b>35,246,368</b>	<b>100</b>

(See the accompanying notes to the financial statements)

(English Translation of Financial Report Originally Issued in Chinese)  
**JIH SUN SECURITIES CO., LTD.**  
**STATEMENTS OF INCOME**  
**FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009**  
(expressed in thousands of New Taiwan dollars, except for earnings per share)

	2010		2009	
	Amount	%	Amount	%
<b>REVENUES (Note 2(T))</b>				
Brokerage Handling Fee Revenue(Note 5(B))	\$ 2,961,511	48	3,321,120	53
Income from Securities Lendings	41	-	-	-
Revenues from Underwriting Business	73,896	1	54,985	1
Gains on Sale of Securities - Proprietary	517,254	9	805,797	13
Gains on Sale of Securities - Underwriting	26,775	1	17,506	-
Gains on Sale of Securities - Hedging	23,503	-	40,460	1
Revenue from Providing Agency Service for Stock Affairs (Note 5(B))	42,817	1	40,285	-
Interest Income (Note 5(B))	1,122,626	18	881,067	14
Dividend Revenue	119,587	2	109,217	2
Valuation Gains on Operating Securities - Proprietary	-	-	68,105	1
Valuation Gains on Operating Securities - Underwriting	-	-	9,734	-
Valuation Gains on Operating Securities - Hedging	101,153	2	17,062	-
Valuation Gains on Borrowed Securities and Bonds with Resale Agreements - Short Sales	77	-	-	-
Profit from Issuance of Call ( Put ) Warrants	77,437	1	-	-
Future Commission Revenue (Note 5(B))	128,127	2	159,343	3
Gains from Derivative Financial Products - Futures (Note 4(R))	367,173	6	286,596	5
Gains from Derivative Financial Products - OTC(Note 4(R))	26,510	-	50,565	1
Other Operating Income	19,304	-	33,480	-
Non-Operating Revenues and Gains (Note 4(D) and 5(B))	537,578	9	383,348	6
<b>Total Revenue</b>	<b>6,145,369</b>	<b>100</b>	<b>6,278,670</b>	<b>100</b>
<b>EXPENDITURE</b>				
Brokerage Handling Fee Expense (Note 5(B))	178,352	3	195,055	3
Proprietary Handling Fee Expense	10,068	-	11,619	-
Refinancing Processing Fee Expenses	156	-	397	-
Interest Expense (Note 5(B))	19,580	-	36,298	1
Valuation Losses on Operating Securities - Proprietary	127,611	2	-	-
Valuation Losses on Operating Securities - Underwriting	2,855	-	-	-
Losses on Covering of Borrowed Securities and Bonds with Resale Agreements - Short Sales	10,031	-	8,015	-
Valuation Losses on Borrowed Securities and Bonds with Resale Agreements - Short Sales	-	-	2,355	-
Expenses Arising Out of Issuance of Call ( Put ) Warrants	33,450	1	20,120	-
Loss on Issuance of Call ( Put ) Warrants	-	-	3,427	-
Futures Commission Expense (Note 5(B))	536	-	6	-
Expense of Clearing and Settlement	1,144	-	3,898	-
Losses from Derivative Financial Products - Futures (Note 4(R))	415,698	7	429,449	7
Operating Expenses (Note 5(B))	2,878,877	47	3,204,526	51
Other Operating Expense	37,761	1	5,343	-
Non-Operating Expense and Loss	62,102	1	156,028	2
<b>Total Expenditure</b>	<b>3,778,221</b>	<b>62</b>	<b>4,076,536</b>	<b>64</b>
<b>NET INCOME BEFORE INCOME TAX</b>	<b>2,367,148</b>	<b>38</b>	<b>2,202,134</b>	<b>36</b>
Income Tax Expense (Note 2(S) and 4(P))	335,929	5	648,752	10
<b>NET INCOME</b>	<b>\$ 2,031,219</b>	<b>33</b>	<b>1,553,382</b>	<b>26</b>
	<b>Before income tax</b>	<b>After income tax</b>	<b>Before income tax</b>	<b>After income tax</b>
<b>Primary earnings per share (Note 2(U) and 4(Q))</b>	<b>\$ 2.05</b>	<b>1.76</b>	<b>1.90</b>	<b>1.34</b>

(See the accompanying notes to the financial statements)

(English Translation of Financial Report Originally Issued in Chinese)  
**JIH SUN SECURITIES CO., LTD.**  
**STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY**  
**FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009**  
 (expressed in thousands of New Taiwan dollars)

	<u>Retained Earnings</u>					<u>Total</u>	<u>Cumulative Translation Adjustments</u>	<u>Net Loss Not Recognized as Pension Cost</u>	<u>Unrealized Gains (Losses) on Financial Products</u>		<u>Total</u>	<u>Total</u>
	<u>Common Stock</u>	<u>Capital Surplus</u>	<u>Legal Reserve</u>	<u>Special Reserve</u>	<u>Unappropriated Retained Earnings</u>				<u>Financial</u>	<u>Products</u>		
<b>Beginning Balance, January 1, 2009</b>	\$ 11,572,127	1,298,456	1,658,220	4,016,734	415,475	6,090,429	12,132	-	(105,768)	(93,636)	18,867,376	
<b>Earnings appropriation and distribution</b>												
Legal Reserve	-	-	41,548	-	(41,548)	-	-	-	-	-	-	
Special Reserve	-	-	-	179,681	(179,681)	-	-	-	-	-	-	
Cash Dividends - Common Stock	-	-	-	-	(194,246)	(194,246)	-	-	-	-	(194,246)	
Changes in unrealized Loss on Available-for-Sale												
Financial Assets	-	-	-	-	-	-	-	-	112,247	112,247	112,247	
Changes in Net Loss not Recognized as Pension Cost	-	-	-	-	-	-	-	(21,201)	-	(21,201)	(21,201)	
Changes in Foreign exchange gain(loss) due to the translation of foreign currency financial statements	-	-	-	-	-	-	(40,214)	-	-	(40,214)	(40,214)	
Net Income for The Year Ended December 31, 2009	-	-	-	-	1,553,382	1,553,382	-	-	-	-	1,553,382	
<b>Ending Balance, December 31, 2009</b>	<u>11,572,127</u>	<u>1,298,456</u>	<u>1,699,768</u>	<u>4,196,415</u>	<u>1,553,382</u>	<u>7,449,565</u>	<u>(28,082)</u>	<u>(21,201)</u>	<u>6,479</u>	<u>(42,804)</u>	<u>20,277,344</u>	
<b>Earnings appropriation and distribution</b>												
Legal Reserve	-	-	155,338	-	(155,338)	-	-	-	-	-	-	
Special Reserve	-	-	-	204,908	(204,908)	-	-	-	-	-	-	
Cash Dividends - Common Stock	-	-	-	-	(1,193,136)	(1,193,136)	-	-	-	-	(1,193,136)	
Changes in unrealized Loss on Available-for-Sale												
Financial Assets	-	-	-	-	-	-	-	-	(10,065)	(10,065)	(10,065)	
Changes in Net Loss Not Recognized as Pension Cost	-	-	-	-	-	-	-	(22,037)	-	(22,037)	(22,037)	
Changes in Foreign exchange gain(loss) due to the translation of foreign currency financial statements	-	-	-	-	-	-	(153,797)	-	-	(153,797)	(153,797)	
Net Income for The Year Ended December 31, 2010	-	-	-	-	2,031,219	2,031,219	-	-	-	-	2,031,219	
<b>Ending Balance, December 31, 2010</b>	<u>\$ 11,572,127</u>	<u>1,298,456</u>	<u>1,855,106</u>	<u>4,401,323</u>	<u>2,031,219</u>	<u>8,287,648</u>	<u>(181,879)</u>	<u>(43,238)</u>	<u>(3,586)</u>	<u>(228,703)</u>	<u>20,929,528</u>	

Note: For the years ended December 31, 2010 and 2009, the employee bonuses, directors' and supervisors' remuneration had been deducted from the statements of income, please refer to Note 4(O).

(See the accompanying notes to the financial statements)

(English Translation of Financial Report Originally Issued in Chinese)  
**JIH SUN SECURITIES CO., LTD.**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009**  
(expressed in thousands of New Taiwan dollars)

	<u>2010</u>	<u>2009</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income	\$ 2,031,219	1,553,382
<b>Adjustments to reconcile net income to net cash provided by (used in) operating activities:</b>		
Depreciation	89,876	116,420
Amortization	26,603	29,576
Provision reversal for securities trading loss reserve	(8,648)	41,538
Investment gain recognized under the equity method	(220,037)	(104,459)
Dividend recognized under the equity method	134,560	185,407
Loss on disposal of property and equipment	3,603	23,247
Gain on disposal of investments	(4,246)	-
Loss (gain) on valuation of financial assets and liabilities	35,121	(99,042)
Loss impairment of financial assets	3,135	56,180
<b>Changes in operating assets and liabilities</b>		
<b>Changes in operating assets</b>		
Financial assets measured at fair value through profit or loss	(429,313)	5,049,657
Bond investments under resale agreements	-	880,246
Margin loans receivable, net	(3,283,339)	(9,375,978)
Refinancing margin	2,803	(4,652)
Refinancing collateral receivable	3,009	(5,104)
Security borrowing collateral price	(4,116)	(30,069)
Security borrowing margin	(2,506)	(27,166)
Notes receivable	(1,975)	107
Accounts receivable	79,534	(274,787)
Accounts receivable - related party	1,228	5,232
Prepayments	7,971	53,769
Other receivables	(70,409)	(26,506)
Deferred income tax assets - current	-	6,449
Deferred income tax assets - non-current	5,461	2,450
Available-for-Sale financial assets-current	158,182	616,562
Debit items for trade brokerage	149,609	(154,378)
<b>Total changes in operation assets</b>	<u>(3,383,861)</u>	<u>(3,284,168)</u>
<b>Changes in operating liabilities</b>		
Liabilities for bonds with attached repurchase agreements	(1,539,924)	(9,257,960)
Financial liabilities measured at fair value through profit or loss	588,237	224,211
Securities financing refundable deposits	(236,249)	891,834
Deposits payable for securities financing	(254,885)	1,051,358
Securities lending refundable deposits	77,413	-
Accounts payable	(15,604)	633,764
Advance receipts	(5,595)	19,994
Receipts under custody	20,490	2,479
Other payables	(595,168)	940,554
Accrued pension liabilities	-	5,407
<b>Total changes in operating liabilities</b>	<u>(1,961,285)</u>	<u>(5,488,359)</u>
<b>Changes in operating assets and liabilities</b>	<u>(5,345,146)</u>	<u>(8,772,527)</u>
<b>Net cash used in operating activities</b>	<u>(3,253,960)</u>	<u>(6,970,278)</u>

(English Translation of Financial Report Originally Issued in Chinese)  
**JIH SUN SECURITIES CO., LTD.**  
**STATEMENTS OF CASH FLOWS (CONT'D)**  
**FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009**  
(expressed in thousands of New Taiwan dollars)

	<u>2010</u>	<u>2009</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from disposal of available-for-Sale financial assets	\$ 90,416	-
Proceeds from disposal of equity investments under equity method	-	144,997
Acquisition of fixed assets	(56,789)	(33,230)
Proceeds from disposal of fixed assets	19	391
Decrease in operation guaranteed deposits	-	60,000
(Increase) decrease in clearing and settlement fund	(23,504)	24,229
Decrease in other assets - refundable deposits	1,829	15,969
Decrease in restricted assets	394,486	348,951
Acquisition of intangible assets	(4,577)	(3,743)
<b>Net Cash Provided by Investing Activities</b>	<u>401,880</u>	<u>557,564</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase in short-term loans	3,000,000	1,380,000
Increase in commercial paper payable - net	969,400	1,549,658
Increase in long-term borrowings	497,278	-
Decrease in long-term borrowings	-	(1,338,220)
(Decrease) Increase in other liability - refundable deposits	(1,107)	223
Cash dividends	(1,193,136)	(194,246)
<b>Net Cash Provided by Financing Activities</b>	<u>3,272,435</u>	<u>1,397,415</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	420,355	(5,015,299)
<b>Cash and Cash Equivalents, Beginning of Period</b>	<u>1,330,888</u>	<u>6,346,187</u>
<b>Cash and Cash Equivalents, End of Period</b>	<u>\$ 1,751,243</u>	<u>1,330,888</u>
<b>SUPPLEMENTAL CASH FLOW INFORMATION</b>		
Interest paid during the year	<u>\$ 47,162</u>	<u>43,698</u>
Income tax paid during the year	<u>\$ 823,973</u>	<u>162,303</u>
<b>NON-CASH OPERATING ACTIVITIES</b>		
Unrealized valuation of financial products	<u>\$ 13,255</u>	<u>66,752</u>

(See the accompanying notes to the financial statements)

**(English Translation of Financial Report Originally Issued in Chinese)**  
**JIH SUN SECURITIES CO., LTD.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2010 AND 2009**  
**(expressed in thousands of New Taiwan dollars, unless otherwise stated)**

**1. Overview**

Jih Sun Securities Co., Ltd. (the “Company”) was established in December, 1961 and engaged in the activities of securities brokerage, securities trading, securities underwriting, securities margin purchases and short sales, stock transaction agency services, futures trading, and auxiliary services for futures trading and stock warrant issuance.

In order to increase market share of brokerage services and competitiveness, the Board of Directors resolved that the Company as the surviving company would merge with Yuan Xin Securities Co., Ltd. on April 22, 2002. Meanwhile, in accordance with the resolution, the Company acquired the operating assets and operating rights of Hemei Securities Co., Ltd. and Toufen Securities Co., Ltd. As of December 31, 2010, after merging and capital increase, the Company had established 42 branches.

Moreover, in order to extend the economic scale of operation and increase the synergy of financial institutions, extraordinary shareholders’ meeting, on December 14, 2001, announced an exchange of shares with “Jih Sun International Bank Ltd.” and transformed into a new “Jih Sun Financial Holding Limited Co.” The conversion date of record was settled on February 5, 2002.

Parent company: Jih Sun Financial Holding Limited Co.

The number of employees : 1,717

**2. Summary of Significant Accounting Policies**

The Company’s financial statements were prepared in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Firms,” the “Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants”, “Business Accounting Act”, “Regulation on Business Entity Accounting Handling,” and “Generally Accepted Accounting Principles of the Republic of China.” The significant accounting policies and bases of measurement adopted in preparing these financial statements are as follows:

**(A) Accounting Estimates**

The Company’s financial statements were prepared in accordance with Generally Accepted Accounting Principles. The company had to use the reasonable amount of estimation for allowance for bad debt, pension, asset impairment, reserve for loss on breaches of contract, and trading loss reserve etc. Because the estimation was usually determined under the uncertain condition, the actual results could differ from these estimates.

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**NOTES TO FINANCIAL STATEMENTS (CONT'D)**

(B) Asset Impairment

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

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

The Company records transactions in New Taiwan dollars. Monetary assets and liabilities denominated in foreign currencies are revalued at the spot rate on the balance sheet date. The resulting exchange gains or losses are recorded as non-operating income or loss. According to amended Statement of Financial Accounting Standards (SFAS) No. 14 "The Effects of Changes in Foreign Exchange Rates," non-monetary assets or liabilities denominated in foreign currencies are measured at the historical exchange rate of the transaction date. Non-monetary assets or liabilities denominated in foreign currencies that are measured at fair value are translated into the functional currency using the spot rate at the balance sheet date. If the non-monetary assets or liabilities are measured at fair value through profit or loss, the resulting unrealized exchange income (loss) from such translations is reflected in the accompanying statements of income. If the non-monetary assets or liabilities are measured at fair value through stockholders' equity, the resulting unrealized exchange income (loss) from such translations is recorded as a separate component of stockholders' equity.

Foreign operating institution with equity-method of the Company are booked in the functional currency. The translation of the financial statement is determined by the translated differences arising from the financial statement of domestic currency which are accounted under shareholders' equity as cumulative translation adjustment after tax. The adjustments will be incorporated into the profit or loss when the foreign operating institution is sold out or under liquidation.

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

Current assets are those which will be converted into cash or be used up within 12 months; all the other assets are classified as non-current assets.

Current liabilities are those which will be paid off in 12 months; all the other liabilities are classified as non-current liabilities.

(E) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, bank savings, and short-term investments that are readily convertible to fixed amounts of cash and the interest rate fluctuations have little effect on their values with a short term maturity.

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**NOTES TO FINANCIAL STATEMENTS (CONT'D)**

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

The company adopted SFAS No. 34 “Financial Instruments: Recognition and Measurement”. Financial assets held for trading are accounted for using trade date accounting and measured at fair value when initially recognized.

Financial assets measured at fair value through profit or loss – current refer to financial assets held for trading or designated as at fair value through profit or loss .

Financial assets held for trading refers to financial assets which at the time of initial recognition were designated as asset for the purpose of trading. The following financial assets shall be classed as financial assets held for trading:

- a. Products acquired primarily for the purpose of sale or repurchase in the near term.
- b. Assets that are part of a group of distinct financial product portfolios under comprehensive management, where there is evidence that in the near term the group is in fact being managed for short-term profit.
- c. Financial derivative products (except for financial guaranteed contract and derivative products of effective hedging ).

Financial assets held for trading shall be stated under their respective categories, according to trading purpose, as open-end fund and money market instruments, as securities held for operations or as derivative financial products.

Hybrid instruments recognized as embedded derivatives can't be measured individually at the time of acquisition or at subsequent balance sheet dates, or the accounting inconsistency can be eliminated or reduced significantly, the instruments would be designated as financial assets measured at fair value through profit or loss at initial recognition.

“Securities held for operations” refers to securities purchased by dealers or acquired by underwriters that have not yet been resold; they shall be presented in detail in subsidiary ledgers according to domestic or foreign security type. When aforementioned securities are the subject of a repurchase agreement or are subject to any other limitation, such fact shall be noted. In order to match the valuation of hedged underlying warrants hedging securities and avoiding the fluctuation of issuance price of warrants, they are valued at market price. The market price refers to the closing price at the end of accounting period.

Financial assets measured at fair value through profit or loss should be measured at fair value. Except for emerging stocks evaluated by cost method, fair value shall be recognized at the closing price of the balance sheet date. For open-ended funds, fair value refers to the net asset value of the fund on the balance sheet date.

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

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

**(G) Financial Derivative Products**

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

- a. The transaction deposits or right fees which are paid or received from futures department which engages in futures – dealer and option transaction business and the amount of the change of guaranty deposits or right fee from unclosed position which raises by evaluation day-to-day are recorded as the “futures margin - own funds,” “buy options,” or “sell options,” respectively. The settled difference from futures and option transaction business on closed position is regarded as current loss or gain, and the difference between settled price and averaged price on the part of unwritten off is regarded as current loss or gain.

- b. Interest rate swaps and Foreign currency swaps

As there is no physical transfer of principal, only memo entries are made on the contract date. The difference between the interest amount received and the interest amount paid is recognized as current profit or loss for both interest rate swaps and foreign currency swaps that are not held for trading. Interest rate swaps and foreign currency swaps held for trading purpose are recognized as 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.

- c. Bond options

The company recognizes the executable nominal principal of the option recorded by memo entries during the contract period which are evaluated by fair value method at the end of the period as current loss or gain. If the option has been exercised, the underlying bond needs to be received or be delivered, and the fair value of the bond should be recognized as revenue of selling securities or cost of acquiring securities which is calculated according to the rate of executing contract and recorded as receivable or payable.

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NOTES TO FINANCIAL STATEMENTS (CONT'D)

(H) Bond Investments Under Resale Agreements and Liabilities for Bonds with Attached Repurchase Agreements

The financing method which the Company adopted is to account for bond transactions with terms to repurchase and resale. Sales of securities with repurchase terms for financing purposes are recorded as “liabilities for bonds with attached repurchase agreements”. Upon execution of repurchase terms, the difference between the repurchase price and financing amount is recorded as interest expense. Purchases of securities with resale terms for financing purposes are recorded as “bond investments under resale agreements”. Upon execution of resale terms, the difference between the resale price and financing amount is recorded as interest income.

(I) Margin Loans, Securities Financing, Refinancing and Securities Borrowing

Margin loans extended to customers by the Company for the purchase of securities are recorded as margin loans receivable. Such loans are secured by the securities purchased by the customers. Customers may redeem the collateral securities upon repayment of the loans.

Deposits collected from customers by the Company for short selling of securities are recorded as securities financing refundable deposits. Proceeds from short selling of securities of stock loan (less stock exchange tax, handling fee for consigned trading, and securities financing fee) are collected as collateral by the Company and are recorded as deposits payable for securities financing. Customers may receive the deposits and proceeds from repayment of the securities.

When the Company lacks sufficient funds for securities financing the margin customers, the refinancing amount acquired from securities finance enterprises is recorded as refinancing borrowings, and the stocks purchased by margin customers are collected as collateral by securities finance enterprises.

When the Company refinances securities from securities finance enterprises, if it does not have sufficient securities, the deposit paid is recorded as refinancing margin. Proceeds from sale of loaned stocks collected by the Company as collateral should be transferred to securities finance enterprises, and the amounts is recorded as refinancing collateral receivable.

Moreover, pursuant to Securities and Futures Bureau (SFB) (88) Tai-Cai- Zheng (2) No. 82416, whenever the collateral maintenance ratio of any customer’s margin account is lower than the limit set by the government after disposal and if there is still a receivable remaining and payment has yet not been made within the time limit specified, then the receivable should be transferred to overdue receivable. If the securities in a customer’s margin account cannot be disposed of, then the receivables for securities provided as collateral, in accordance with the actual situation, should be recognized as other receivables or overdue receivable.

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Securities lending is only noted in memo, not recognized as the assets of the company, vice versa. The acquired collaterals are not stated in the reports if they are securities; whereas, they should be recognized as securities lending refundable deposit if the collaterals are cash collaterals. The securities lending revenue and service fee are recognized as securities lending revenue.

(J) Allowance for Bad Debts

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

(K) Funds and Long-Term Investments

a. Stock investments measured by equity method

Investees in which the Company and its subsidiaries directly or indirectly hold more than 20% of the outstanding stock with voting right, or hold less than 20% but are able to exercise significant influence over the investees are accounted for under the equity method. Upon disposition, gain or loss on disposal of long-term equity investment is calculated based on the difference between selling price and book value on the disposed date. The remaining capital surplus arising from long-term equity investment is adjusted to profit and loss based on the percentage of sales.

If the company has control over the investee, in addition to value by equity method, the company should prepare the consolidated financial statements in compliance with SFAS NO.7 quarterly.

b. Available-for-sale financial assets

The available-for-sale financial assets is measured by fair value, and the resulting gain or loss is recognized in equity. If any objective evidence shows that an available-for-sale financial asset is impaired, the impairment loss is recognized immediately. Impairment losses shall not be reversed in the future.

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

Unlisted or non-OTC stocks over which the Company does not have significant influence shall be classified as available-for-sale financial assets – non-current and carried at cost on the balance sheet date.

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(L) Fixed Assets

Fixed assets are stated at cost, and the amount of evaluation is based on cost less accumulated depreciation. Major additions, improvements and replacements are capitalized, while maintenance and repairs are recognized as current expenses. Upon disposition, the related cost and accumulated depreciation are deducted from the accounts. Gain or loss from disposal of fixed assets is recorded on non-operating gain or loss.

Depreciation of property, plant, and equipment is calculated by the straight-line method over the estimated useful life as stipulated by the government, and the useful life is as follows: Buildings, 10 ~ 55 years ; Machinery and equipment, 3 ~ 10 years; Leasehold improvements, 3 ~ 15 years. If fixed assets are still able to use after their original estimated useful life, the estimated salvage value may still be depreciated over their acceptable useful lives.

(M) Intangible Assets

In compliance with Statement of Financial Accounting Standards No. 37 (SFAS No. 37) "Intangible Assets," the Company should measure an intangible asset at original cost. After initial recognition, book value of an intangible asset shall be measured at its cost plus revaluation increment revalued in accordance with the laws, less any accumulated amortization and any accumulated impairment losses.

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

- a. Computer Software 3 – 5 years
- b. Operating Right 5 years

(N) Financial Liabilities Measured at Fair Value through Profit or Loss

The company adopted SFAS No. 34 "Financial Instruments: Recognition and Measurement" Financial liabilities held for trading are accounted for using trade date accounting and measured at fair value when initially recognized.

Financial liabilities held or issued by the Company, when initially recognized, are measured at fair value through profit or loss, with changes in fair value to be recognized in income.

Financial liabilities measured at fair value through profit or loss-current refers to financial liabilities held for trading or financial liabilities designated as at fair value through profit and loss.

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Financial liabilities held for trading refers to financial liabilities which at the time of initial recognition were designated as liabilities for the purpose of trading. The following financial liabilities shall be classed as financial liabilities held for trading:

- a. Liabilities incurred primarily for the purpose of repurchase in the near term
- b. Liabilities that are part of a group of distinct financial portfolios under comprehensive management, where there is evidence that in the near term the group is in fact being managed for short-term profit.
- c. Derivative financial liabilities
- d. Securities covering obligations in securities financing or securities borrowing
- e. Financial assets held for trading whose subsequent valuations measured at fair value as negative

Derivative financial liabilities refer to those liabilities accounts created when a securities firm engages in derivative financial product transactions.

Hybrid instruments recognized as embedded derivatives can't be measured individually at the time of acquisition or at subsequent balance sheet dates, or the accounting inconsistency can be eliminated or reduced significantly, the instruments would be designated as financial liabilities measured at fair value through profit or loss at initial recognition.

Proceeds received from issuing warrants are recorded as warrants liabilities. Amounts of repurchasing these warrants are recorded as warrants redeemed and counted for the deduction of warrants liabilities. When selling redeemed warrants, costs are calculated by weighted-average method and the related gain or loss are booked as gain or loss on issuance of warrants. Warrants liabilities and warrants redeemed are valued at market value on the balance sheet date, and the gain or loss on issuance of warrants are recorded. The decrease in such liabilities is recognized as a gain on issuance of warrants. The issuer can take the cash settlement method if the investors do not exercise until the due date on the basis of Tai-Jheng- Shang NO.0920102843, and if warrants have no exercise-value, the gain on warrants expiration is recognized. When warrants are settled by cash, gains or losses on exercise of warrants are recognized by exercise price plus warrant price at the exercise day minus market price of underlying securities. When warrants are settled by securities, the underlying securities delivered are treated as sold in the market and revenue is recognized by exercise price, while cost is calculated by moving average method.

When engaging in securities borrowing transactions, securities company should recognize the amounts of securities sold from securities borrowing as liabilities and classify them by the purpose of hedging or speculative. The Company was engaged in the market-maker of stock options. Due to demands for hedging and settlement of the stock options contracts, the Company opened separate accounts for trading the underlying securities of stock options and undertook the selling of securities borrowing or securities financing. On the basis of Tai-Cai- Zheng (7) NO.0920154924, the amounts from selling of securities borrowing or securities financing are recognized as the "Liabilities on sale of borrowed securities-hedged" and value with HCM method. The market price evaluates at closing price on the date of the

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NOTES TO FINANCIAL STATEMENTS (CONT'D)

accounting period ended. The short covering should calculate by moving-averaged method, the gain from short covering should recognized as “Gain from short covering”, and recorded according to the account of stocks and bonds. The amounts of repurchasing the borrowed stocks or bonds are recognized as a deduction of gain from short covering. Financial liabilities measured at fair value through profit or loss should be measured at fair value, and changes in fair value should be recorded in the profit or loss for the current period.

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

(O) Reserve for Loss on Breaches of Contract

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

(P) Trading Loss Reserve

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

(Q) Pension Plan

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

The Company adopted SFAS No. 18, “Accounting for Pensions,” referring to the net periodic pension cost provided by actuary based on actuarial report, including current service cost, interest cost, projected return on pension plan assets, unrecognized transitional net assets and amortization of gain or loss on pension. The unrecognized transitional net assets are amortized using the straight-line method over 15 years; amortization of gain or loss on unrecognized pension should be amortized based on remaining service period.

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**NOTES TO FINANCIAL STATEMENTS (CONT'D)**

The Labor Pension Act of R.O.C. (“the Act”) has been effective since July 1, 2005 and it adopts defined contribution pension plan. Employees of the Company (who were hired before July 1, 2005) may elect to be subjected to either the Act and maintain their seniority before the enforcement of the Act, or the pension mechanism of the Labor Standards Law. 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. This contribution is recognized as pension expenses for the current period when the contribution is actually made.

**(R) Employee bonuses, Directors’ and Supervisors’ remuneration**

Commencing from January 1, 2008, the Company estimates the amount of employee bonuses and Directors’ and Supervisors’ remuneration, according to Interpretation (96) No. 052 issued by the Accounting Research and Development Foundation and recognizes as operating expenses. If later the actual allocation amount pursuant to a resolution of a shareholders’ meeting of the Company is different from the estimated amount recognized in the financial statements, the difference is accounted for as changes in accounting estimates and recognized as profit or loss for the current period.

**(S) Income Tax**

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

After adopting the imputation tax method in 1998, a 10 % surtax on undistributed earnings is levied as current income tax expense in the year that the stockholder’s meeting declaring the distribution of earnings.

Furthermore, for the year ended December 31, 2003, the Company and the parent company, “Jih Sun Financial Holding Limited Co.”, and its affiliates “Jih Sun International Bank Ltd. ” and Jih Sun International Insurance Agent Co.,Ltd. adopted the jointly tax filing return principle to file the annual income tax return and make tax payment. In accordance with Interpretation (92) No.240 issued by the Accounting Research and Development Foundation on October 3, 2003, the accrued receivable and payable between the parent company and subsidiaries are allocated reasonably and consistently to individual companies.

**(T) Revenue**

Revenue is recognized when realized or realizable and earned.

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NOTES TO FINANCIAL STATEMENTS (CONT'D)

(U) Earnings per share

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

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

3. REASONS FOR AND EFFECT OF ACCOUNTING CHANGES: NONE

4. SUMMARY OF MAJOR ACCOUNTS

(A) CASH AND CASH EQUIVALENTS

	<u>December 31,</u>	
	<u>2010</u>	<u>2009</u>
Cash in banks:		
Savings accounts	\$ 530,273	137,607
Checking accounts	31,423	31,084
Cash equivalent:		
Commercial paper	1,189,547	1,162,197
Total	<u>\$ 1,751,243</u>	<u>1,330,888</u>

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

	<u>December 31,</u>	
	<u>2010</u>	<u>2009</u>
Open-end fund and money market instruments	\$ 230,435	145,340
Securities held for operations - proprietary	4,329,834	5,850,204
Securities held for operations - underwriting	101,098	76,799
Securities held for operations - hedging	2,468,011	650,781
Buy option - Trading	-	918
Futures margin - own funds	111,503	159,526
Derivative financial assets – OTC	22	20,374
Financial asset designated as at fair value through profit and loss - current	57,154	-
Total	<u>\$ 7,298,057</u>	<u>6,903,942</u>

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NOTES TO FINANCIAL STATEMENTS (CONT'D)

a. OPEN-END FUND AND MONEY MARKET INSTRUMENT

	December 31,			
	2010		2009	
	Cost	Market Value	Cost	Market Value
Open-end fund and money market instruments	\$ 230,000	<u>230,435</u>	139,020	<u>145,340</u>
Valuation adjustment on open-end fund and money market instruments	435		6,320	
Total	<u>\$ 230,435</u>		<u>145,340</u>	

b. SECURITIES HELD FOR OPERATIONS – PROPRIETARY

	December 31,	
	2010	2009
Listed stocks	\$ 1,296,673	1,673,024
Over-the-counter stocks and bonds	490,293	511,661
Foreign stocks	461,735	-
Emerging stocks	338,919	231,188
Government bonds	675,536	1,921,325
Corporate bonds	1,015,436	1,331,981
Financial debentures	4,767	14,300
Subtotal	<u>4,283,359</u>	<u>5,683,479</u>
Valuation adjustment on securities held for operations - proprietary	46,475	166,725
Net	<u>\$ 4,329,834</u>	<u>5,850,204</u>
Market value	<u>\$ 4,329,834</u>	<u>5,850,204</u>

As of December 31, 2010 and 2009, the securities held for operations - proprietary amounted to \$1,751,284 and \$3,241,035 were provided for repurchase agreements.

c. SECURITIES HELD FOR OPERATIONS - UNDERWRITING

	December 31,	
	2010	2009
Listed stocks	\$ 18,227	27,738
Over-the-counter stocks and bonds	71,781	28,566
Unlisted stocks and bonds	24,275	30,825
Subtotal	<u>114,283</u>	<u>87,129</u>
Valuation adjustment on securities held for operations - underwriting	(13,185)	(10,330)
Net	<u>\$ 101,098</u>	<u>76,799</u>
Market value	<u>\$ 101,098</u>	<u>76,799</u>

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NOTES TO FINANCIAL STATEMENTS (CONT'D)

d. SECURITIES HELD FOR OPERATING – HEDGING

	December 31,	
	2010	2009
Listed stocks	\$ 1,970,886	419,168
Over-the-counter stocks	378,910	214,551
Subtotal	2,349,796	633,719
Valuation adjustment on securities held for operations - hedging	118,215	17,062
Net	<u>\$ 2,468,011</u>	<u>650,781</u>
Market value	<u>\$ 2,468,011</u>	<u>650,781</u>

(C) AVAILIABLE-FOR-SALE FINANCIAL ASSETS – CURRENT

	December 31,	
	2010	2009
Available-for-Sale financial assets - current - securities held for operations - underwriting	\$ 250,810	408,992
Adjustments in the valuation of available-for-sale financial assets	(3,586)	(16,841)
Total	<u>\$ 247,224</u>	<u>392,151</u>

(D) FUNDS AND LONG-TERM INVESTMENTS

a. Stock investments measured by equity method :

December 31, 2010		
Valuation by equity method	Ownership %	Amount
Jih Sun Futures Co., Ltd. (original investment cost \$618,268 )	98.138	\$ 1,230,726
Jih Sun International Investment Holding Company Limited (original investment cost \$1,795,250 (US\$54,600))	100.00	1,548,786
Jih Sun Securities Investment Consulting Co., Ltd. (original investment cost \$173,600)	100.00	53,931
Jih Sun Securities Investment Trust Co., Ltd. (original investment cost \$211,380)	20.00	240,883
Subtotal		<u>\$ 3,074,326</u>

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

For the years ended December 31, 2010 and 2009, gain or loss of valuation on investment by equity method and cumulative translation adjustment of foreign currency valuation were as follows:

	<b>2010</b>	<b>2009</b>
Jih Sun Futures Co., Ltd.		
- gain on investment	<b>\$ 113,581</b>	<b>162,366</b>
Jih Sun International Investment Holding Company Limited		
- gain(loss) on investment	\$ 84,236	(67,261)
- cumulative translation adjustment	(153,797)	(40,214)
- unrealized (loss) gain on available-for-sale financial assets	(23,320)	45,495
Total	<b>\$ (92,881)</b>	<b>(61,980)</b>
Jih Sun Securities Investment Consulting Co., Ltd.		
- loss on investment	<b>\$ (6,601)</b>	<b>(2,840)</b>
Jih Sun Futures Management Co., Ltd.		
- loss on investment (Note)	<b>\$ -</b>	<b>(17,515)</b>
Jih Sun Securities Investment Trust Co., Ltd.		
- gain on investment	<b>\$ 28,821</b>	<b>29,709</b>

Note: The investee company of Jih Sun Futures Management Co., Ltd. had completed liquidating procedure in August 2010. In 2009, the company had retrieved all shares which amount to \$144,998, and the difference had been recognized as investment loss.

The above profit of equity investment and the other related investment which are calculated under equity method, and all of them had been audited by the Accountants.

Supplemental disclosure pursuant to the “Regulations Governing the Preparation of Financial Reports by Securities Firms” and the related : please refer to note 11.

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b. Available-for-sale financial assets - non-current :

<b>December 31, 2010</b>		
Available-for-sale financial assets non-current	Ownership %	Amount
Taiwan Stock Exchange Corporation	3.00	\$ 586,067
Taiwan Securities Central Depository Co., Ltd.	1.74	43,789
Taiwan Futures Exchange Co., Ltd.	2.69	189,472
FuJi Management Consultant Co., Ltd. (Note 2)	1.97	-
Global Securities Finance Corporation	0.88	57,832
En Tie Securities Finance Co., Ltd.	-	-
Top Taiwan III Venture Capital Co., Ltd.	10.00	100,000
Parawin Venture Capital Corp.	6.00	43,046
Cotillion III Venture Capital Corp.	9.23	42,774
PK III Venture Corp.	9.29	65,000
Taiwan Integrated Shareholder Service Company	5.80	14,061
Hui Yang Venture Capital Group	7.69	118,466
Subtotal		<b>\$ 1,260,507</b>

<b>December 31, 2009</b>		
Available-for-sale financial assets non-current	Ownership %	Amount
Taiwan Stock Exchange Corporation	3.00	\$ 586,067
Taiwan Securities Central Depository Co., Ltd.	1.74	43,789
Taiwan Futures Exchange Co., Ltd.	2.69	189,472
FuJi Management Consultant Co., Ltd.(Note 2)	1.97	74,542
Global Securities Finance Corporation	0.88	57,832
En Tie Securities Finance Co., Ltd.	0.24	11,628
Top Taiwan III Venture Capital Co., Ltd.	10.00	100,000
Parawin Venture Capital Corp.	6.00	43,046
Cotillion III Venture Capital Corp.	9.23	45,771
PK III Venture Corp.	9.29	65,000
Taiwan Integrated Shareholder Service Company	5.80	14,199
Hui Yang Venture Capital Group	7.69	118,466
Subtotal		<b>\$ 1,349,812</b>

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

Note (2): Fubon Securities Finance Co., Ltd. decided to decrease its capital and refund the capital stock to its stock holders on October 28, 2010. The percentage of capital decrease was 99.75% and the stocks had been refunded to the company after the completion of legal procedures. Furthermore, Fubon Securities Finance Co., Ltd. was renamed to FuJi Management Consultant Co., Ltd. on January 11, 2011.

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The evidence presented that the investment value of Cotillion III Venture Capital Corp., Taiwan Integrated Shareholder Service Company had already impaired; therefore, the Company recognized the loss impairment of \$ 2,997 and \$138 respectively in 2010.

The evidence presented that the investment value of Cotillion III Venture Capital Corp., Parawin Venture Capital Corp., En Tie Securities Finance Co., Ltd., Taiwan Integrated Shareholder Service Company, and Hui Yang Venture Capital Group had already impaired, therefore the Company recognized the loss impairment of \$ 4,229, \$16,954, \$816, \$2,647 and \$31,534, respectively in 2009.

(E) FIXED ASSETS

<u>December 31, 2010</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net</u>
Land	\$ 1,259,205	-	1,259,205
Buildings	568,404	212,238	356,166
Machinery and equipment	895,184	787,542	107,642
Prepayment for equipment	11,484	-	11,484
Leasehold improvements	367,355	322,062	45,293
Total	<u>\$ 3,101,632</u>	<u>1,321,842</u>	<u>1,779,790</u>

  

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

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

(F) 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, 2010</u>				
Credit loans	\$ 2,970,000	0.70%~0.80%	3,300,000	-
Mortgage loans	1,410,000	0.70%~0.72%	3,460,000	Time deposits and reserve savings accounts
Total	<u>\$ 4,380,000</u>			
<u>December 31, 2009</u>				
Credit loans	\$ 820,000	0.62%~0.66%	3,100,000	-
Mortgage loans	560,000	0.7%	1,700,000	Time deposits
Total	<u>\$ 1,380,000</u>			

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(G) COMMERCIAL PAPER PAYABLE – NET

	December 31,	
	2010	2009
Commercial paper payable	\$ 2,520,000	1,550,000
Less: Discount on Commercial paper payable	(942)	(342)
Net	<u>\$ 2,519,058</u>	<u>1,549,658</u>

The issuance period for commercial paper payable is within 365 days. The annual interest rates ranged from 0.31% to 0.66% and 0.20% to 0.43% during the years ended December 31, 2010 and 2009, respectively.

(H) LIABILITIES FOR BONDS WITH ATTACHED REPURCHASE AGREEMENTS

	December 31,	
	2010	2009
Central Government Development Bonds	\$ 698,058	1,989,447
Corporate bonds	1,076,286	1,324,821
Total	<u>\$ 1,774,344</u>	<u>3,314,268</u>

Based on the repurchase agreements, after December 31, 2010 and 2009, the Company is obligated to repurchase the above bonds at the sales price plus a mark-up of \$1,774,742 and \$3,314,637, respectively.

(I) FINANCIAL LIABILITIES MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS – CURRENT

	December 31,	
	2010	2009
<b>Financial liabilities held for trading:</b>		
Warrants liabilities	\$ 5,569,555	6,166,420
Warrants redeemed	(5,018,814)	(6,030,692)
Sell option – non-hedged	-	1,417
Liabilities on sale of borrowed securities - hedged - stock	44,613	42,348
Derivative financial liabilities - OTC	22,509	17,187
<b>Financial liabilities designated at fair value through profit or loss - current</b>		
Structured notes	229,319	62,342
Total	<u>\$ 847,182</u>	<u>259,022</u>

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(J) LONG-TERM BORROWINGS - NET

Bank/Bills Finance Corp. Commercial paper payable	Period	Credit line	December 31,		Note
			2010	2009	
China Bills Finance Corp.	2007.03.08~2010.03.07	\$ 500,000	-	500,000	Use circularly within credit limit
Mega Bills Finance Corp.	2007.03.06~2010.03.05	500,000	-	500,000	"
Taching Bills Finance Ltd.	2010.01.06~2013.01.06	300,000	300,000	-	"
China Bills Finance Corp.	2010.03.05~2013.03.04	500,000	500,000	-	"
International Bills Finance Corp.	2010.03.29~2013.03.29	200,000	200,000	-	"
Mega Bills Finance Corp.	2010.03.05~2013.03.04	500,000	500,000	-	"
Subtotal			1,500,000	1,000,000	
Less: Discount on Commercial paper payable			(2,828)	(106)	
Long-term borrowings payable - current portion			-	(999,894)	
Net			<u>1,497,172</u>	<u>-</u>	

(K) OTHER LIABILITY – OTHERS

On August 28, 1991, the Company merged with Yeong Lin Securities Co., Pan Chiao Securities Co., Jih Chung Securities Co., and Chia Yi Securities Co., The Company assumed the above four merged companies' assets, liabilities, and related rights and obligations. Pursuant to the Article 13 of the Statute for Upgrading Industries, reserve for land value incremental tax was \$18,174. Moreover, the Company applied for the review of land value incremental tax which had paid while it merged with Yeong Lin Securities Co.. In accordance with the decision of Kaohsiung Ji- Fa No. 49239, land value incremental tax payable of \$7,857 was transferred from capital surplus. Furthermore, the Chia Yi Branch sold land on February 14, 1994, resulting in land value incremental tax payable of \$266. In 2002, the Company merged with Toufen Securities Co., Ltd. and took over all its assets and liabilities and relevant rights and obligations. Meanwhile, the Company reserved \$3,105 for land value incremental tax. As of December 31, 2010 and 2009, the total land value incremental tax payable amounted to \$28,870.

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

	December 31,	
	2010	2009
DEBIT ITEMS FOR TRADE BROKERAGE		
Cash and cash equivalents - settlement amounts	\$ 205,456	157,947
Receivable price of securities purchased for customers	6,458	12,003
Receivable accounts for settlement	6,603,589	9,408,618
Settlement price	-	1,304,059
Subtotal	<u>6,815,503</u>	<u>10,882,627</u>
CREDIT ITEMS IN BROKERAGE TRADING		
Payable price of securities sold for customers	21,632	22,071
Settlement accounts payable	6,467,375	10,492,024
Settlement Price	107,573	-
Subtotal	<u>6,596,580</u>	<u>10,514,095</u>
Net	<u>\$ 218,923</u>	<u>368,532</u>

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(M) PENSION PLAN

- a. The Company adopted SFAS No. 18, "Accounting for Pensions", for the employee pension plan from December 31, 1995. When an employee retires or resigns, the Company will return his pension fund deposit and related interest. In addition, the Pension Fund Administrative Committee will pay the pension or termination payment to the employee based upon a certain percentage (maximum is 100%) of his pension fund deposit from the "Pension fund", and it is not a defined benefit pension plan. The movements of the "Pension fund" for 2010 and 2009 are summarized as follows:

	<u>2010</u>	<u>2009</u>
Beginning balance	\$ 57,998	61,095
Add: interest	461	523
Less: expense	(426)	(3,620)
Ending balance	<u>\$ 58,033</u>	<u>57,998</u>

- b. Effective from March 1998, the Company makes monthly pension contributions at 2.8% of employee monthly gross salaries (managers' contribution ratio is 4%) to a designated pension fund account at Bank of Taiwan. The movements of the "Pension Fund" for 2010 and 2009 are summarized as follows:

	<u>2010</u>	<u>2009</u>
Ending balance of pension fund	\$ 222,947	197,017
Current expense of pension fund:		
Defined benefit pension plan	25,106	23,899
Defined contribution pension plan	58,638	53,690
Ending balance of accrued pension liabilities	152,079	130,042

- c. For the years ended December 31, 2010 and 2009, the components of net periodic pension costs were as follows:

	<u>2010</u>	<u>2009</u>
Service cost	\$ 14,212	15,063
Interest cost	9,901	10,142
Expected return on plan assets	(4,078)	(5,171)
Amortization of pension loss	5,071	3,349
Curtailement or settlement loss	-	516
Net periodic pension costs	<u>\$ 25,106</u>	<u>23,899</u>

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

	December 31,	
	2010	2009
Discount rate	2.25%	2.25%
Future salary increase rate	2.00%	2.00%
Projected long-term rate of return on pension plan assets	2.00%	2.00%

  

	December 31,	
	2010	2009
Benefit obligation		
Vested benefit obligation	\$ (37,454)	(28,258)
Non-vested benefit obligation	(337,572)	(298,801)
Accumulated benefit obligation	(375,026)	(327,059)
Additional benefit based on future salaries	(124,341)	(114,194)
Projected benefit obligation	(499,367)	(441,253)
Fair value of pension fund assets	222,947	197,017
Funding status	(276,420)	(244,236)
Unrecognized gain on pension fund	167,579	135,395
Net Loss Not Recognized as Pension Cost	(43,238)	(21,201)
Accrued pension liability	<u>\$ (152,079)</u>	<u>(130,042)</u>

(N) CAPITAL STOCK

The Company was organized in December 1961 with an original capital of \$600, divided into 60,000 shares. Due to various capital increases and decreases over the years, as of December 31, 2010, the Company's authorized capital amounted to \$12,200,000. As of December 31, 2010, the Company's paid-in capital amounted to \$11,572,127. The issued shares include 1,157,212,760 shares with \$10 per share.

(O) EARNINGS DISTRIBUTION

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

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

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

As of December 31, 2010 and 2009, the Company estimated employee bonuses and directors' remuneration amounted to \$50,968 and \$ 20,869, respectively. Differences between the amount approved in the shareholders' meeting and estimated in the financial statements, if any, are accounted for as changes in accounting estimates and recognized as profit or loss for the coming year. For the years ended December 31, 2009 and 2008, the discrepancy between the estimated employees' bonuses and directors' remuneration and the actual distribution was overestimated in 2009 for \$3,500 and underestimated in 2008 for \$9,942. The overestimation for the discrepancy was because of the change in the board of directors. In order to reward employees and comply within the Company's Articles of Association The difference was included in the Income statement in 2010 and 2009.

The company held a meeting of board of directors on March 26, 2010 and February 25, 2009 replaced shareholders' power to agree earnings distribution of 2009 and 2008. (The related information can be accessed through the Market Observation Post System or other sites.)

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

	<u>2009</u>	<u>2008</u>
Employee bonuses - cash	\$ 11,869	1,942
Remuneration of directors and supervisors	5,500	9,000
Total	<u>\$ 17,369</u>	<u>10,942</u>

(P) INCOME TAX

According to the amendment of the Income Tax Act on May 27, 2009, the highest income tax rate has been decreased from 25% to 20% since 2010. In compliance with the amendment of the Income Tax Act which was published on June 15, 2010, the statutory income tax rate reduced to 17%. For the years ended December 31, 2010 and 2009, the Company's applicable income tax rates were 17% and 25%, respectively; the Company adopted the "Income Basic Tax Act" in determining the income basic tax.

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- a. The Company's income tax components in 2010 and 2009 were as follows:

	<u>2010</u>	<u>2009</u>
Current income tax expense	\$ 296,843	347,337
Adjustment of prior year's income tax expense and the taxable difference assessed by tax authority	33,625	289,047
Deferred income tax expenses	5,461	12,368
Income tax expense	<u>\$ 335,929</u>	<u>648,752</u>

- b. The difference between tax calculated by tax law and tax expense in 2010 and 2009 are listed as follows:

	<u>2010</u>	<u>2009</u>
Income tax calculated on income before income tax	\$ 402,415	550,534
Valuation loss (gain) on operating securities and short-term investments	6,992	(40,972)
Gain on long-term equity investments — equity method	(37,406)	(26,115)
Difference between financial and tax treatment of bonds with repurchase agreement	-	(46,812)
Suspend to impose capital gains tax	(57,628)	(89,094)
Difference between financial and tax treatment of stock warrants	11,287	8,036
Allocation of trading loss reserve	(1,470)	10,384
Financial asset impairment loss	533	14,045
Investment tax credit	(9,089)	-
Allowance evaluation- Investment tax credit	-	9,918
Adjustment of prior year's income tax estimation	33,625	289,047
Effects of change in income tax rate on deferred income tax assets	5,461	9,102
Others	(18,791)	(39,321)
Income tax expense	<u>\$ 335,929</u>	<u>648,752</u>

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- c. As of December 31, 2010 and 2009, the temporary differences resulting in deferred income tax assets (liabilities), loss carryforwards, investment tax credit and other tax effects were as follows:

	December 31,			
	2010		2009	
	Amount	Tax effect	Amount	Tax effect
Deferred income tax assets — current:				
Investment tax credit	\$ -	-	33,059	9,918
Allowance evaluation	-	-	(33,059)	(9,918)
Subtotal	-	-	-	-
Deferred income tax assets — non-current:				
Provision for reserve for loss on breach of contract	52,000	8,840	52,000	10,400
Provision for pension fund in excess of the actual provision	130,042	22,107	130,042	26,008
Subtotal	182,042	30,947	182,042	36,408
Total	<u>\$ 182,042</u>	<u>30,947</u>	<u>182,042</u>	<u>36,408</u>

- d. The Company's income tax returns of 2005 were assessed by National Tax Administration.
- e. For the year ended 2003, the National Tax Administration decided to levy additional income tax of \$269,330. The adjusted items are mainly from the premium and estimate premium of warrant issuance. Except for the disputed issues amounted to \$14,090 of tax of bond transaction and the over payment of tax withheld from tax compromise, the remaining amount had already been accrued. The Company filed appeals with the Tax Authority and already received re-examination result stating that the company does not have to pay the tax of bond transaction amounted \$1,501 and tax withheld amounted \$12,589. For the issue of over payment was rejected, the Company filed re-appeals with the ministry of finance.
- f. For the year ended 2004, the National Tax Administration examined additional income tax of \$795,820. The mainly adjusted items is the premium and estimated premium of warrant issuance. Except for the income tax of \$25,148 which paid for the Financial Holding Co. shall be included into undistributed earnings surtax 10% and adjusted within the Financial Holding Co under consolidate corporate income tax return. The remaining amount of income tax had been accrued. The Company already received re-examination result but the Company disagreed with the result and already applied for appeal.
- g. For the year ended 2005, the National Tax Administration assessed additional income tax of \$145,045, mainly for the undistributed earnings surtax 10% from estimated premium of warrant issuance. Apart form the income tax of \$99,429 paid for the Financial Holding Co., in 2004, shall be included into undistributed earnings surtax 10%, and adjusted within the Financial Holding Co. under consolidate corporate income tax return. The remaining amount of income tax were accrued. The company already received re-examination result but was disagreed with it and already applied for appeal.

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- h. The Company estimated its income tax on stock warrant transactions pursuant to ruling Tai Tsai Cheng No. 861922464 issued by the Ministry of Finance on December 11, 1997. Accordingly, the proceeds from the issuance of stock warrants are accounted for as royalty revenue which is included as part of taxable income. When the investors exercise their warrant rights, such transaction is subject to the securities transaction tax in accordance with the Income Tax Law, and accordingly, any capital gain or loss is not included in the determination of the annual corporate income tax. According to the tax law, the Company estimated its income tax payable on stock warrant transactions from 2003 to June 30, 2007 amounted to \$601,502. Otherwise, according to the article of 24-2 the Income Tax Law which is passed on July 11, 2007 :
- During the period of issued date to maturity date of the stock warrant, which is issued by the issuer, the profit and the loss of the securities and financial derivative products, traded according to risk management, should be added to taxable income and don't apply to the Income Tax Law, the article of 4-1 and 4-2.
  - The transaction loss is produced from the trading of the stock, target valuable securities, and futures according to the risk management. The part of the transaction loss which exceeds the rest of the stock warrant right fee revenue deducted each related issuing cost and expenses is not deductible.
- i. According to the tax ruling in Tai-tsi-shui Ruling Letter No. 910458039 "The consolidated tax filing return principle which is promulgated in accordance with the Financial Holding Company Act, Article 49, and the Business Mergers and Acquisitions Act, Article 40" issued on February 12, 2003, by the Ministry of Finance, "Where a Financial Holding Company holds more than 90% of the outstanding issued shares of a domestic subsidiary, such Financial Holding Company may, for the tax year in which its such shareholding in the subsidiary has existed for the entire 12 months of the tax year, elect to be the taxpayer itself, and jointly declare and report profit-seeking enterprise income tax and the 10% tax surcharge on surplus retained earnings of a profit-seeking enterprise in accordance with the relevant provisions of the Income Tax Law." Since 2003, the Company and the parent company, "Jih Sun Financial Holding Limited Co.", and its affiliate "Jih Sun International Bank Ltd," "Jih Sun International Insurance Agent Co., Ltd." have adopted the consolidated tax filing return principle to file the annual income tax return and make tax payment in order to decrease the Group's taxes and increase the Group's operating efficiency.
- j. Related information of imputation tax system:

	<b>December 31,</b>	
	<b>2010</b>	<b>2009</b>
Balance of stockholders' imputation credit account	<u>\$ 151</u>	<u>4,226</u>
Estimated (actual) imputation credit ratio of earnings distribution to the habitants of the Republic of China	<u>2010(estimated) 0.01%</u>	<u>2009(actual) 5.5%</u>

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k. Related information on undistributed earnings

	December 31,	
	2010	2009
Undistributed earnings of 1997 and before	\$ -	-
Undistributed earnings of 1998 and after	2,031,219	1,553,382
Total	<u>\$ 2,031,219</u>	<u>1,553,382</u>

(Q) EARNINGS PER SHARE

The company is the subsidiary held 100% by Jih Sun Financial Holding Limited Co. Employees bonuses are not distributed through issuing stocks of the company; hence, weighted-average number of common shares outstanding will not be diluted. There is no need to calculate dilutive earnings per share.

Current earnings per share are computed based on the weighted-average number of common shares outstanding during the years ended December 31, 2010 and 2009, were both amounted to 1,157,212,760 shares.

(R) RELATED INFORMATION OF FINANCIAL PRODUCTS

a. Information on Reclassification of Financial Assets

- (1) The Company adopted new amended SFAS No. 34 "Financial Instruments: Recognition and Measurement," which requires original financial assets to be reclassified, and measured at fair value on the date of reclassification is as followed:

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

The Company has the intention and ability to reclassify its financial assets. In addition, due to the dramatic changes in the domestic and global financial and economic trends in recent periods, where the facts and circumstances indicated that the situations were those rare ones stated in item 1, (3) of paragraph 104 of SFAS No. 34 "Financial Instruments: Recognition and Measurement," the Company reclassified its financial instrument to available-for-sale financial assets from those classified as held for trading at initial recognition.

- (2) The book value and fair value of reclassified financial assets

	Available-for-sale Financial assets - current	
	2010.12.31	2009.12.31
Book value	<u>\$ 247,224</u>	<u>392,151</u>
Fair value	<u>\$ 247,224</u>	<u>392,151</u>

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(3) Reclassification of financial assets

	<b>Originally classified as financial assets held for trading</b>	
	<b>2010</b>	<b>2009</b>
Change in fair value recognized through profit and loss without reclassification	\$ 13,255	(66,752)
The amount recognized as profit (loss) after reclassification	\$ 6,449	32,933

b. Financial Derivatives Products

(1) Warrants

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

A. Credit risk

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

B. Market risk

Warrants are derivative financial products; their market risk arises from changes in price of the underlying securities. The market risk of warrants could be hedged by adjusting warrants issued and their corresponding hedging positions.

C. Liquidity risk, cash-flow risk, the uncertain amount of future cash demand and periodic uncertainty

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

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

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

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

E. Type, purpose and strategy for holding derivative financial products

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

F. Financial statement presentation of derivative financial products

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

(2) Futures and options transactions

The Company started the dealing of futures and options trading in November, 2001. As of December 31, 2010 and 2009, the futures and option trading which the Company still held were as follows:

Items	Transaction Type	Holder/ Seller	Volume	Contract Amount	Fair Value	Notes
<b>Dec. 31, 2010</b>						
Futures	Electronics Index Futures	Holder	1	\$ 1,368	1,367	Hedging
"	Financial Index Futures	"	3	3,095	3,126	"
Total			<b>4</b>	<b>\$ 4,463</b>	<b>4,493</b>	
Futures	Taiwan Stock Index Future	Seller	<b>40</b>	<b>\$ (69,830)</b>	<b>(71,896)</b>	Trading
Futures	Taiwan Stock Index Future	Seller	<b>2</b>	<b>\$ (3,548)</b>	<b>(3,595)</b>	Hedging
<b>Dec. 31, 2009</b>						
Futures	Hang Seng Index Futures	Holder	1	\$ 4,508	4,522	Trading
"	H-shares Index Futures	"	12	31,620	31,650	"
Total			<b>13</b>	<b>\$ 36,128</b>	<b>36,172</b>	
Options	Taiwan Stock Index Option - Put	Holder	444	\$ 1,588	912	Trading
"	Financial Index Option -Call	"	5	4	6	"
Total			<b>449</b>	<b>\$ 1,592</b>	<b>918</b>	
Futures	Taiwan Stock Index Future	Seller	82	\$ (134,054)	(134,496)	Trading
"	Electronics Index Futures	"	6	(8,189)	(8,202)	"
"	Hang Seng Index Futures	"	6	(27,052)	(27,130)	"
"	H-shares Index Futures	"	2	(5,266)	(5,275)	"
Total			<b>96</b>	<b>\$ (174,561)</b>	<b>(175,103)</b>	
Futures	Small Taiwan Stock Index Future	Seller	<b>2</b>	<b>\$ (794)</b>	<b>(820)</b>	Hedging
Options	Taiwan Stock Index Option- Call	Seller	<b>253</b>	<b>\$ (760)</b>	<b>(1,417)</b>	Trading

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NOTES TO FINANCIAL STATEMENTS (CONT'D)

The above-mentioned fair value is calculated based upon the closing price of future and option on the Taiwan Futures Exchange as of December 31, 2010 and 2009.

A. Credit risk

The main counter-party of the Company for futures and options contracts is the Taiwan Futures Exchange, which is unlikely to result in credit risk.

B. Market value risk

The futures currently trading under Taiwan Stock Exchange include Index-based Futures and Futures options, the futures' price will fluctuate based upon the stock market trend, the Company has implemented stop-loss points based upon the related risk, and the loss incurred should be within the expected range. Therefore, there is no significant market value risk.

C. Liquidity risk, cash-flow risk, the uncertain amount of future cash demand and periodic uncertainty

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

D. Presentation of financial derivative products-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 – own funds. As of December 31, 2010 and 2009, futures and options transactions were as follows:

	<b>December 31,</b>	
	<b>2010</b>	<b>2009</b>
Futures margin - own funds	\$ 111,503	159,526
Buy option - Trading	-	918
Sell option - Trading	-	1,417

The company engaged in futures and index options transactions to produce gain or loss on futures contracts and option transactions (recognized as gains or losses from derivative financial products – futures) were as follows :

	<b>2010</b>	<b>2009</b>
Futures contract gain - realized	\$ 314,616	176,610
Futures contract gain - valuation	3,159	3,021
Option trading gain - realized	48,067	106,162
Option trading gain - valuation	1,331	803
Total	<b>\$ 367,173</b>	<b>286,596</b>

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NOTES TO FINANCIAL STATEMENTS (CONT'D)

	<u>2010</u>	<u>2009</u>
Futures contract loss - realized	\$ 376,848	230,469
Futures contract loss - valuation	4,718	3,159
Option trading loss - realized	34,132	194,187
Option trading loss - valuation	-	1,634
Total	<u>\$ 415,698</u>	<u>429,449</u>

(3) Interest rate swap

A. The Company engaged in financial derivatives in the form of interest rate swaps to coordinate the bond investment position. The Company signed interest rate swap contracts for trading with banks and security companies. As of December 31, 2010 and 2009, the interest rate swap contracts held by the Company were as follows:

<u>2010. 12. 31</u>				
<u>Condition of trading</u>	<u>Nominal principal</u>	<u>Fixed rate %</u>	<u>Floating rate index</u>	<u>Settlement date</u>
Received Fixed rate, Paid Floating rate	\$ 13,700,000	2.140~2.970	CP90	Quarterly
"	1,000,000	1.050	Libor6M	Semi-annually
Received Floating rate, Paid Fixed rate	14,800,000	1.035~2.890	CP90	Quarterly

  

<u>2009. 12. 31</u>				
<u>Condition of trading</u>	<u>Nominal principal</u>	<u>Fixed rate %</u>	<u>Floating rate index</u>	<u>Settlement date</u>
Received Fixed rate, Paid Floating rate	\$ 19,500,000	2.000~2.970	CP90	Quarterly
"	2,100,000	0.000~1.050	Libor6M	Semi-annually
Received Floating rate, Paid Fixed rate	18,200,000	1.035~2.890	CP90	Quarterly

B. Credit risk

Credit risk arises when the transaction party is unable to exercise the terms stated in the interest rate swap contract upon expiration. The Company deals with banks and securities companies with good credit, and determines the maximum remittance amount according to the transaction parties' financial information, external and internal credit rating. Therefore, the credit risk of these transactions is very low.

C. Market risk

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

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

The Company is engaged in interest rate swap contracts business. The future cash demand occurs on the settlement date, and the Company receives or pays interest of nominal principal times the difference in interest rates. Since the amount is not large and there is no cash inflow or outflow of principal upon expiration, 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 products

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

(4) Structured Notes

- A. Nominal principal or contract amount:

The Company undertakes structured note business by combining fixed return commodity with call/ put option, and divides into equity-linked note and principal guarantee note. On settlement date, the Company receives rewards from the trading counterparty. However, the rewards may be fluctuated in relation to the degree of increase or decrease of the connected subjects. The pattern of the reward is the trading principal adds/deducts the exercise value of the options at the end of the contract. All of the connected subjects are monetary and financial market instruments which are monitored under SFB. As of December 31, 2010 and December 31, 2009, the nominal principals of equity-linked note were \$288,715 and \$55,709 respectively; principal guarantee notes were \$1,000 and \$7,000, respectively.

- B. Credit risk

The Company receives rewards from the customers on the settlement date, when undertaking structured notes business. Therefore, there is no customers' credit risk which the Company shall bear.

- C. Market risk

The Company engages in trading of structured notes, which are exercised at their fair value. Since all of the hedging instruments are recorded at market fair value, there is no significant market price risk.

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NOTES TO FINANCIAL STATEMENTS (CONT'D)

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

When undertaking structured notes business, the Company receives rewards from the customers on the settlement date, and invests or makes use of fund in compliance with the contract. Therefore, there is no significant demand for raising fund.

- (5) Presentation of financial derivative products – O.T.C. in the financial statements

- A. As of December 31, 2010 and 2009, the Company held positions in interest rate swaps, foreign currency swaps, convertible corporate bond asset swaps and structured notes. Presentation of financial assets measured at fair value through profit or loss and financial liabilities - current in the balance sheets was as follows:

	December 31, 2010	
	Derivative Financial Assets	Derivative Financial Liabilities
Derivative financial products– O.T.C		
Value of interest rate swap contracts	\$ -	14,674
Value of contracts - others	22	7,835
Subtotal	22	22,509
Financial products designated as at fair value through profit and loss		
Structure note	57,154	229,319
TOTAL	<b>\$ 57,176</b>	<b>251,828</b>

	December 31, 2009	
	Derivative Financial Assets	Derivative Financial Liabilities
Derivative financial products – O.T.C		
Value of interest rate swap contracts	\$ -	17,187
Value of contracts - others	371	-
Bond options	20,003	-
Subtotal	\$ 20,374	17,187
Financial products designated as at fair value through profit and loss		
Structure note	-	62,342
TOTAL	<b>\$ 20,374</b>	<b>79,529</b>

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- B. For the years ended December 31, 2010 and 2009, the Company engaged in interest rate swaps, foreign currency swaps and convertible corporate bond asset swaps and structured notes, and the related presentation of the gains or losses from derivative financial products in the statement of income was as follows:

	Gains (losses) from derivative financial products – O.T.C	
	2010	2009
Value of interest rate swap contracts	\$ 19,871	(2,998)
Bond option	(5,662)	64,474
Structure note	12,650	(11,282)
Foreign currency swaps contract price (Note)	(10,042)	-
Others	(349)	371
Total	<u>\$ 16,468</u>	<u>50,565</u>

Note: Foreign currency swaps contract price is accounted under Other operating expense.

c. Fair Value of Financial Products

Financial Assets	December 31			
	2010		2009	
	Book Value	Fair Value	Book Value	Fair Value
Financial assets with book value equal to fair value	\$24,468,291	24,468,291	21,144,976	21,144,976
Financial assets measured at fair value through profit or loss - current				
Open-end fund and money market instruments	230,435	230,435	145,340	145,340
Securities held for operations	6,898,943	6,898,943	6,577,784	6,577,784
Buy option - Trading	-	-	918	918
Futures margin - own funds	111,503	111,503	159,526	159,526
Derivative financial assets - OTC	22	22	20,374	20,374
Available-for-sale financial assets -current	247,224	247,224	392,151	392,151
Available-for-sale financial assets - non-current	1,260,507	1,260,507	1,349,812	1,349,812
Financial asset designated as at fair value through profit and loss - current	57,154	57,154	-	-
Total	<u>\$ 33,274,079</u>	<u>33,274,079</u>	<u>29,790,881</u>	<u>29,790,881</u>

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NOTES TO FINANCIAL STATEMENTS (CONT'D)

Financial Liabilities	December 31			
	2010		2009	
	Book Value	Fair Value	Book Value	Fair Value
Financial liabilities with book value equal to fair value	\$ 16,280,592	16,280,592	14,357,401	14,357,401
Financial liabilities measured at fair value through profit or loss - current				
Warrants liabilities	5,569,555	5,569,555	6,166,420	6,166,420
Warrants redeemed	(5,018,814)	(5,018,814)	(6,030,692)	(6,030,692)
Sell options - Trading	-	-	1,417	1,417
Liabilities on sale of borrowed securities - hedged	44,613	44,613	42,348	42,348
Derivative financial liabilities - OTC	22,509	22,509	17,187	17,187
Financial liabilities designated at fair value through profit or loss - current	229,319	229,319	62,342	62,342
Total	<u>\$ 17,127,774</u>	<u>17,127,774</u>	<u>14,616,423</u>	<u>14,616,423</u>

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

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

The fair value of short-term products are estimated using their book value; since such products will mature within a short time, the book value is a reasonable basis to estimate the fair value. Short-term financial products comprise financial assets such as cash and cash equivalents, margin loans receivable, refinancing margin, refinancing collateral receivable, security borrowing collateral price, security borrowing margin, notes receivable, accounts receivable, other receivables, restricted assets, operation guaranteed deposits, clearing and settlement fund, other assets - refundable deposits, cash and cash equivalents - receipts under custody from exercise of warrant and receipts under custody from customers' security subscription, etc. ;and financial liabilities such as short-term borrowings, commercial paper payable, liabilities for bonds with attached repurchase agreements, securities financing refundable deposits, deposits payable for securities financing, securities lending refundable deposits, accounts payable, other payable, long-term liability - current portion, long-term borrowings, other liability - refundable deposits, accrued pension liability - non-current, etc.

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

- (3) Available-for-sale financial asset-non-current:

For non-open market of unlisted securities, to estimate its fair value is impracticable.

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- d. The company estimated the fair value of financial assets and financial liabilities by open market price of active market and valuation methods was as follows :

<u>Names of Financial Assets and Financial Liabilities</u>	<u>2010.12.31</u>	
	<u>Amount by open market price</u>	<u>Amount by evaluation method</u>
<b>Financial Assets</b>		
Financial assets with book value equal to fair value	\$ -	24,468,291
Financial assets measured at fair value through profit or loss - current		
Open-end fund and money market instruments	230,435	-
Securities held for operations	6,898,943	-
Futures margin - own funds	111,503	-
Derivative financial assets - OTC	-	22
Financial asset designated as at fair value through profit and loss - current	-	57,154
Available-for-sale financial assets – current	-	247,224
Available-for-sale financial assets – non-current	-	1,260,507
<b>Financial Liabilities</b>		
Financial liabilities with book value equal to fair value	-	16,280,592
Financial liabilities measured at fair value through profit or loss - current		
Warrants liabilities	5,569,555	-
Warrants redeemed	(5,018,814)	-
Liabilities on sale of borrowed securities - hedged	44,613	-
Derivative financial liabilities - OTC	-	22,509
Financial liabilities designated at fair value through profit or loss - current	-	229,319

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NOTES TO FINANCIAL STATEMENTS (CONT'D)

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

e. Information of financial risk

(1) Market risk

The Company measures bond and equity securities investments at fair value, therefore the investments will expose to the risk of market price in relation to the fluctuation of fixed return and equity markets.

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

(2) Credit risk

The Company's main potential credit risk is from cash and cash equivalents, financial assets at fair value through profit or loss, and receivables from brokerage activities.

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To diversify its risk effectively, the Company makes cash deposits in several well-known financial institutions (concentration risk diversification) in order to avoid the risk of cash shortage in each financial institution. Moreover, the Company only deals with high-credit-rating companies for the purpose of eliminating credit risk; in relation to the investment of corporate bond, short-term securities of cash equivalents, the Company purchased from high-credit-rating companies in order to decrease credit risk.

For reducing credit risk, the Company evaluates counterparties' credit rating and evaluate its credit condition on an ongoing basis before entering into a transaction. Moreover, the Company sets a credit limit to each counterparty according to its internal credit evaluation report, in order to reduce credit risk exposure. There is no significant concentration of credit risk within the Company as the Company constantly review the credit rating of its counterparties.

**(3) Liquidity risk**

The capital and operating fund of the company can support to execute full obligation of the contract; therefore there is no risk for unable to raise the capital. However, in order to control the liquidity risk of managing the capital effectively, the Company prepares the analysis of the capital gap each operating day in order to cope with the emergency situation.

The Company can quickly sell the both of its non-closing position of future and option and the investment of equity at fair value in the market. Therefore, the risk of not being able to quickly sell such contracts at fair value in the market is low.

By undertaking the investment of corporate bond swaps, interest rate derivative products, the Company received or paid interest, based on the calculation of nominal principal multiply by the difference of interest rate. The amount of trading was insignificant, and there is no cash outflow or inflow from the principle; therefore, the liquidity risk was considered to be low.

**(4) Cash flow risk arising from interest rate change**

Short-term and long-term loans of the Company were fixed-rate liabilities. Therefore, changes in market interest rate will not affect its effective interest rate for both short and long term and will not fluctuate its future cash flow.

Bonds Investment of the Company was fixed and floating rate. Therefore, changes in market interest rate will affect its effective interest rate of the bonds investment and will fluctuate its future cash flow.

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f. Risk management and policy

To control the overall risks of the company effectively, the Company established a risk management committee that is responsible for risk management-related work. The committee, underneath the Board of Directors, is independent of every business unit on the organization structure to enforce the risk management system. The Company's risk management organization includes the Board of Directors, high-level management, each risk management executive unit, and each business unit. By adequate distinction between responsibility and accountability and professional division of labor, the risk management organization establishes the risk management culture which is abided corporately from top 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 risk management to supervise the operating risk of each unit. Each business unit coordinate with 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 products in order to avoid specific risks of the valuation's fluctuation for holding the financial items.

g. Financial products with the credit risk out of balance sheet : None

h. Information of the credit risk conspicuously assemble :

Since the Company has widespread clients and does not have any significantly concentrated transaction with a single client, therefore the credit risk of receivables do not concentrate apparently.

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**NOTES TO FINANCIAL STATEMENTS (CONT'D)**

**5. RELATED-PARTY TRANSACTIONS**

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

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

(B) Significant Transactions with Related Parties

- a. For the years ended December 31, 2010 and 2009 brokerage handling fee revenue from securities trading were as follows:

<u>Name of related party</u>	<u>2010</u>		<u>2009</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Jih Sun International Bank Ltd.	\$ 1,183	-	3,513	-

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

- b. The bond transactions with attached repurchase/resale agreements with related parties in 2010 and 2009 were as follows:

Liabilities for bonds with attached repurchase agreements:

<u>Name of related party</u>	<u>2010</u>		<u>2009</u>	
	<u>Interest expense</u>	<u>Ending balance</u>	<u>Interest expense</u>	<u>Ending balance</u>
Jih Sun International Bank Ltd.	\$ 63	-	97	-
Jih Sun Futures Co., Ltd.	18	-	4	-
Jih Sun Securities Investment Trust Co., Ltd.	16	-	19	-
<b>Total</b>	<b>\$ 97</b>	<b>-</b>	<b>120</b>	<b>-</b>

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Bond investments under resale agreements:

<u>Name of related party</u>	<u>2010</u>		<u>2009</u>	
	<u>Interest income</u>	<u>Ending balance</u>	<u>Interest income</u>	<u>Ending balance</u>
Jih Sun International Bank Ltd.	\$ -	-	67	-

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

c. Lease

The rentals of offices received from related parties were as follows:

<u>Name of related party</u>	<u>2010</u>	<u>2009</u>
Jih Sun International Bank Ltd.	\$ 15,601	17,782
Jih Sun Futures Co., Ltd.	6,455	7,799
Jih Sun Securities Investment Consulting Co., Ltd.	1,979	1,224
Jih Sun Financial Holdings Co., Ltd.	198	144
Jih Sun Securities Investment Trust Co., Ltd.	-	32
Total	<u>\$ 24,233</u>	<u>26,981</u>

The rent is based on market price and collected by month.

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

<u>Name of related party</u>	<u>2010</u>	<u>2009</u>
Jih Sun International Bank Co., Ltd.	<u>\$ 11,968</u>	<u>10,530</u>

The rent is based on market price and paid by month.

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

<u>Name of related party</u>	<u>December 31,</u>	
	<u>2010</u>	<u>2009</u>
Jih Sun Futures Co., Ltd.	\$ 1,840	1,899
Jih Sun International Bank Ltd.	3,146	4,158
Jih Sun Securities Investment Consulting Co., Ltd.	329	329
Jih Sun Financial Holdings Co., Ltd.	-	36
Total	<u>\$ 5,315</u>	<u>6,422</u>

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

Name of related party	December 31,	
	2010	2009
Jih Sun International Bank Ltd.	\$ 1,905	2,005

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

Name of Related Party	December 31,			
	2010		2009	
	Amount	%	Amount	%
Accounts Receivable				
Jih Sun Futures Co., Ltd.	\$ 9,825	1	11,053	1
Jih Sun Securities Investment Trust Co., Ltd.	20	-	20	-
Total	\$ 9,845	1	11,073	1
Other Receivables				
Jih Sun International Bank Ltd.	\$ 18,593	14	16,934	26
Jih Sun Futures Co., Ltd.	200	-	448	1
Jih Sun Financial Holdings Co., Ltd.	34,890	25	34,890	53
Jih Sun Securities Investment Trust Co., Ltd.	-	-	152	-
Jih Sun Securities Investment Consulting Co., Ltd.	-	-	61	-
Jih Sun Life Insurance Agent Co., Ltd.	21	-	60	-
Jih Sun International Insurance Agent Co., Ltd.	44	-	34	-
Total	\$ 53,748	39	52,579	80

Name of Related Party	December 31,			
	2010		2009	
	Amount	%	Amount	%
Other Payables				
Jih Sun International Bank Ltd.	\$ 2	-	16	-
Jih Sun Financial Holdings Co., Ltd. (Note 1)	895,834	60	1,376,007	66
Jih Sun Securities Investment Consulting Co., Ltd.	4,451	-	3,863	-
Total	\$ 900,287	60	1,379,886	66

Note 1: Due to the adoption of jointly tax return in 2010 and 2009, income tax payable amounted to \$865,253 and \$1,367,007, respectively. Directors' and Supervisors' remuneration payable amounted to \$30,581 and \$9,000 in 2010 and 2009, respectively.

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e. Property transaction with related parties were as follows:

<b>Name of related party</b>	<b>December 31,</b>	
	<b>2010</b>	<b>2009</b>
Jih Sun International Bank Ltd.	\$ -	(13)
Jih Sun Securities Investment Consulting Co., Ltd.	-	384

f. Others

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

	<b>2010</b>	<b>2009</b>
Revenue from providing agency service for stock affairs (revenue from computer printing included)	\$ 481	481
Future commission revenue	128,127	159,343
Revenue from utilities expense allocated	1,535	1,588
Clearing fee	10	10
Futures margin	5,473	15,699
Futures settlement fund (recorded as guarantee deposits paid)	43,000	43,000
Board of directors' and supervisors' remuneration	1,000	1,000
Revenue from information service	1,500	1,500
Futures commission expense	192	6
Employee Training expenses	14	-
Financial Income	33	785
Information Technology expenses	1	-

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

	<b>2010</b>	<b>2009</b>
Revenue from providing agency service for stock affairs (revenue from computer printing included)	\$ 720	720
Revenue from management fee allocated (Note 1)	203,661	164,823
Revenue from utilities expense allocated	7,267	7,833
Joint marketing expense	146	190
Transaction fees	669	601

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

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NOTES TO FINANCIAL STATEMENTS (CONT'D)

For the years ended December 31, 2010 and 2009, the Company's deposit balance in Jih Sun International Bank Ltd. were as follows:

	<u>Ending balance</u>	<u>Max balance</u>	<u>Interest</u>	<u>Interest rate range</u>
2010	\$ 324,371	5,226,194	731	0%~1.7%
2009	203,908	6,197,596	4,904	0.0%~2.71%

As the deposits mentioned above, the Company recorded them in Cash and Cash equivalent, Operation Guaranteed Deposits, Other Assets - Refundable Deposits, Debit Items for Trade Brokerage, Cash and Cash Equivalents - Receipts under Custody from Exercise of Warrant and Receipts under Custody from Customers' Security Subscription, etc.

As of December 31, 2010 and 2009, Jih Sun International Bank Ltd. had approved a guaranteed line of credit amounting to \$1,200,000 and \$800,000 to the Company, and the loan balances were \$0. As of December 31, 2010, and 2009, the company had provided securities as pledged assets .

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

	<u>2010</u>	<u>2009</u>
Professional fee	\$ 53,400	27,895
Magazine fee	482	2,314
Utilities expense (custody of receipt and payment )	630	-
Subtotal	<u>\$ 54,512</u>	<u>30,209</u>

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

	<u>2010</u>	<u>2009</u>
Revenue from providing agency service for stock affairs (revenue from computer printing included)	\$ 12,372	11,637
Remuneration of board directors and supervisors	27,081	18,000
Stock handling fees (custody of receipt and payment )	381	2

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

	<u>2010</u>	<u>2009</u>
Revenue from providing agency service for stock affairs	\$ 120	150
Revenue from utilities expense allocated	372	2,022
Income from fund rewards	6,804	4,714
Total	<u>\$ 7,296</u>	<u>6,886</u>

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JIH SUN SECURITIES CO., LTD.

NOTES TO FINANCIAL STATEMENTS (CONT'D)

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

	<u>2010</u>	<u>2009</u>
Commission revenue	\$ 810	3,148
Revenue from utilities expense allocated	112	301
Total	<u>\$ 922</u>	<u>3,449</u>

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

	<u>2010</u>	<u>2009</u>
Commission revenue	\$ 1,610	1,752
Revenue from utilities expense allocated	21	93
Total	<u>\$ 1,631</u>	<u>1,845</u>

- (8) The Company paid brokerage handling charges to Hong-Kong JS Cresvale Securities International Limited for securities trading abroad of \$2,445 and \$1,749 in 2010 and 2009, respectively.

(C) Salary Information from Key Management

As of December 31, 2010 and 2009, the salary of the company's directors, supervisors, general managers and vice general managers were as follows :

	<u>2010</u>	<u>2009</u>
Salary	\$ 29,221	25,717
Bonus and allowances	25,945	18,440
Executive expenses	1,184	1,606
Employee bonuses	2	198
	<u>\$ 56,352</u>	<u>45,961</u>

6. PLEDGED ASSETS

<u>Pledged assets</u>	<u>Objects</u>	<u>December 31,</u>	
		<u>2010</u>	<u>2009</u>
Pledged assets – current (time deposits, deposits)	Bank Loan	\$ 531,273	925,759
Available-for-sale financial assets – non-current	Bank Loan	563,712	710,047
Fixed assets – land	Corporate Bonds and Bank Loan	1,259,205	1,259,205
– building (book value)	"	356,166	367,148
Cash (other assets - refundable deposits)	Court Drawing	700	760
Total		<u>\$ 2,711,056</u>	<u>3,262,919</u>

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

**7. SIGNIFICANT COMMITMENTS AND CONTINGENCIES**

The Company's significant commitments and contingencies on December 31, 2010 and 2009, were summarized as follows:

- (A) As of December 31, 2010 and 2009, the Company had issued post-dated checks for future rental payments, which amounted to \$40,259 and \$30,426, respectively.
- (B) As of December 31, 2010 and 2009, in connection with securities financing activities, the Company held client-owned stocks which amounted to approximately 1,025,471,226 shares and 912,721,033 shares, respectively; stocks loaned out to clients amounted to approximately 42,263,000 shares and 50,321,000 shares, respectively, for which the Company had received guarantee deposits in full from the clients.
- (C) In March, 1995 the Company acted as the co-underwriter for Jeng-Yih Company's application for government approval to trade over the counter. Subsequently, Jeng-Yih Company stopped trading over the counter because of significant amount of notes unpaid. Therefore, the investors had sued the directors and supervisors, the independent auditors, and the underwriters of Jeng-Yih Company for total amount of \$71,017. On November 30, 2006 the primary court decided the securities dealers only had to compensate the subscribed party who is in good faith. Moreover, the Company had already compromised with the majority of the investors and paid off, except for one investor. For the remaining un-reconciled investor, the court judged the company only had to pay for \$24. On December 22, 2006, the un-reconciled investor and the others whose the securities were not underwritten by the Company could not accept the judgment from the primary court, so they had appealed to Taiwan High Court. During the hearing period of Taiwan High Court, the Company had reconciled with the investor who had been judged by the primary court to receive \$24 and the investor had revoked the case. The Company considered no responsibility for any additional compensation liability, therefore, no accrual needs to be recorded, except for the above-mentioned reconciliation amounts.
- (D) As of December 31, 2010 and 2009, 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 \$700 and \$760, respectively (recorded as guarantee deposit paid) and seized the debtor's assets.
- (E) Three customers of the Tai-Chung Branch alleged that a former employee at the Tai-Chung Branch had sold their stock without their permission, and stolen their bank savings. Therefore, the clients requested the Company to be responsible jointly and claimed for \$82,431 with interest (the amount decreased to \$72,899 in the lawsuit). As of December 31, 2009, Taichung District Court had judged that the Company and the former employee were jointly liable for the three plaintiffs amounted to \$ 33,968 with statutory interest of 5% from October 21, 2003. During the lawsuit, the company already reconciled with one of the customers and the remaining part had been appealed to Taiwan High Court Taichung Branch Court on January 28, 2010. The principal and accumulated interest till December 2010 for other two customers amounted \$29,253 were already accrued.

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**JIH SUN SECURITIES CO., LTD.**

**NOTES TO FINANCIAL STATEMENTS (CONT'D)**

- (F) The customer of Xin-Yi branch alleged that he had suffered losses because an employee did not follow the instruction to buy or sell stocks in August, 2007. Therefore, the client requested the company to pay \$13,732 to compensate his losses. The primary court disallowed the plaintiff's assertion because the claim was considered to be unreasonable, and the plaintiff didn't accept the judgment and appeal to Taiwan High Court. The Court dismissed the appeal on June 1, 2010, and the customer appealed to Supreme Court. The lawsuit is still in process. There is no additional compensation liability and no accrual shall be booked, since the Company considered that the claim should be a private debt dispute between the client and the employee.
- (G) In 2009, the Company made an Letter of Comfort stated positively support to the operation of third level subsidiaries — Jih Sun Services (Cayman) Limited and Jih Sun Cresvale Securities International Limited, to the financial institution.
- (H) In July, 2010, the customer of Hsinchu Science Park branch alleged that he had suffered losses because an employee manipulated his stocks and fund illegally and requested the company to be responsible jointly and claimed for \$4,945. There is no additional compensation liability and no accrual shall be booked, since the Company considered that the claim should be a private debt dispute between the client and the employee.

**8. SIGNIFICANT CATASTROPHIC LOSS : NONE**

**9. SIGNIFICANT SUBSEQUENT EVENTS :**

On January 11, 2011, the Financial Supervisory Commission revoked the rules regarding provision for trading losses reserve for securities firms and futures commission merchants contained in the "Regulations Governing Securities Firms" and the "Regulations Governing Futures Commission Merchants" in FSC Jin-Kuan-Cheng-Chuan No. 0990073857 and FSC Jin-Kuan-Cheng-Chi No. 1000000289. As of December 31, 2010, the amount of trading losses reserve and reserve for loss on breaches of contract which securities firms and futures commission merchants had made provision for should be reclassified as special reserve. The special reserve can only be used to offset a deficit or when special reserve reaches 50% of total paid-in capital, of which 50% can be capitalized.

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**NOTES TO FINANCIAL STATEMENTS (CONT'D)**

**10. OTHERS**

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

	2010			2009		
	Operating cost	Operating expense	Total	Operating cost	Operating expense	Total
Employee expense						
Payroll	-	1,507,700	1,507,700	-	1,842,100	1,842,100
Insurance	-	103,407	103,407	-	93,929	93,929
Retirement	-	83,744	83,744	-	77,589	77,589
Others	-	43,776	43,776	-	44,567	44,567
Depreciation	-	89,876	89,876	-	116,420	116,420
Amortization	-	26,603	26,603	-	29,576	29,576

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

As of December 31, 2010 and 2009, disclosures related to the Company's financial ratios, as required by the Rules Governing Futures Commission Merchants, were as follows:

Article	Formula	Current Period		Previous Period		Benchmark	Result
		Calculation	Ratio	Calculation	Ratio		
17	Equities/(Liabilities – Futures Traders' Equity – Futures Trading Loss Reserve – Reserve for Loss on Breaches of Contract)	$\frac{1,355,244}{67}$	20,227.52	$\frac{1,454,702}{1,931}$	753.34	$\geq 1$	Meets benchmark
17	Current Assets/Current Liabilities	$\frac{1,305,311}{67}$	19,482.25	$\frac{1,406,633}{1,931}$	728.45	$\geq 1$	"
22	Equities/Minimum Paid-in Capital	$\frac{1,355,244}{400,000}$	339%	$\frac{1,454,702}{400,000}$	364%	$\geq 60\%$ $\geq 40\%$	"
22	Adjusted Net Capital/The Total Amount of Margins Required for the Non-offset Position of the Futures Customers	$\frac{1,350,348}{1,880}$	71,827%	$\frac{1,445,700}{13,076}$	11,056%	$\geq 20\%$ $\geq 15\%$	"

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

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

(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) Foreign currency financial assets and liabilities:

	2010.12.31			2009.12.31		
	Foreign Currency Amount	Spot rate	NTD Amount	Foreign Currency	Spot rate	NTD Amount
<b><u>Financial Assets:</u></b>						
<b><u>Monetary items</u></b>						
USD	\$ 3,771	30.292	114,238	1,796	31.980	57,445
HKD	106,471	3.876	412,681	13,371	4.112	54,982
Others(Note)			40,501			35,981
<b><u>Non-monetary items</u></b>						
HKD	117,273	3.876	454,551	-	-	-
<b><u>Stock Investments measured by equity method</u></b>						
USD	53,168	29.130	1,548,786	51,254	32.030	1,641,667

Note: Other currency amounted less than NTD \$80,000 will be disclosed in consolidation.

**11. Disclosures Required**

(A) Related information on significant transactions:

- a. Loans to other businesses or individuals: none.
- b. Endorsements and guarantees for others: none.
- c. Acquisition of real estate exceeding \$100,000 or 20% of paid-in capital: none.
- d. Disposal of real estate exceeding \$100,000 or 20% of paid-in capital: none.
- e. Discount on commission fees for transactions with related parties up to \$5,000: none.
- f. Receivables from related parties up to \$100,000 or 20% of paid-in capital: none.

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**JIH SUN SECURITIES CO., LTD.**

**NOTES TO FINANCIAL STATEMENTS (CONT'D)**

(B) Related information on investee companies:

a. Related information regarding the name and the location of the investee companies:

Unit: share/ thousand dollar

Names of Investor	Names of Investee company	Address	Main Business scope	Initial investment		Period-end holding balance			Investee company's current profit and loss	Investment income (loss) recognized by the Company	Remark
				The end of this year	The end of last year	Shares	Percentage	Book Value			
Jih Sun Securities Co.,Ltd	Jih Sun Futures Co.,Ltd.	F4, No.111, Sec.2, NanKing E. Rd., Taipei	Futures brokerage and proprietary trading	618,268	618,268	68,696,435	98.138%	1,230,726	115,740	113,581	subsidiary
"	Jih Sun International Investment Holding Company Limited	Sotia Centre,4thFloor,P.O.Box2804, GeorgeTown, GrandCayman, Cayman Islands	1.Securities brokerage and proprietary trading 2.Underwriting 3.Securities research and analysis 4.Corporate and individual financial planning 5.Financing business 6.Investment trust 7. Futures 8.Holding company to recognize profit and loss of investment	1,795,250	1,795,250	54,600,000	100%	1,548,786	84,236	84,236	"
"	Jih Sun Securities Investment Consulting Co.,Ltd.	F7, No.111, Sec.2, NanKing E. Rd., Taipei	Provide advisory and consulting related with securities investment on a consigned basis	173,600	173,600	10,000,000	100%	53,93	(6,635)	(6,601)	"
"	Jih Sun Securities Investment Trust Corp.	F5, No.111, Sec.2, NanKing E. Rd., Taipei	Securities investment trust business and discretionary investment business	211,380	211,380	7,800,000	20%	240,88	144,102	28,821	"
Jih Sun International Investment Holding Company Limited	JS Cresvale Securities International Limited	18/F, Euro Trade Centre, 21-23 Des Voeux Road, Central, Hong Kong, HK	Brokerage, underwriting, proprietary trading	USD37,234	USD37,234	293,000,000	100%	USD 32,22	USD (887)	USD (88	third-level subsidiary
"	Jih Sun Services (Cayman) Limited	Scotia,4thFloor,P.O.Box2804, GeorgeTown, GrandCayman, Cayman Islands	Securities, financial investment consulting	USD18,050	USD18,050	18,050,000	100%	USD 18,46	USD 2,707	USD 2,70	"
Jih Sun Investment Holding Company Limited	Jih Sun Capital Management Limited	P.O.Box146,RoadTown,Tortola, British Virgin Islands	Fund and asset management	USD 100	USD 100	100,000	100%	USD 1,97	USD 172	USD 17	"
JS Cresvale Securities International Limited	JS Cresvale Financing Limited	18/F, Euro Trade Centre, 21-23 Des Voeux Road, Central, Hong Kong, HK	Stock brokerage, futures brokerage & sales of mutual funds	HKD20,000	HKD20,000	2,000,000	100%	HKD 20,87	HKD (218)	HKD (218)	"

b. Loans to other businesses or individuals: none.

c. Endorsements and guarantees for others: none.

d. Acquisition of real estate exceeding \$100,000 or 20% of paid-in capital: none.

e. Disposal of real estate exceeding \$100,000 or 20% of paid-in capital: none.

f. Discount on commission fees for transactions with related parties up to \$5,000: none.

g. Receivables from related parties up to \$100,000 or 20% of paid-in capital: none.

(C) Disclosure of investments in China: none.

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

- (D) Related information regarding countries and regions of securities business investee without securities authority:

Pursuant to Securities and Futures Bureau (SFB) (92) Tai-Cai- Zheng- Zi(2) No. 0920004507 dated October 31, 2003, the disclosures related to the Company's investment in foreign enterprises of British Virgin Islands for the year ended December 31, 2010, were as follows:

a. Concise Balance Sheet Statement and Income Statement

(1) Balance Sheet Statement

Unit: USD

Items	Company	Jih Sun International Investment Holding Company Limited	Jih Sun Services (Cayman) Limited	Jih Sun Capital Management Limited
Current assets		USD\$ 500,796	USD\$ 37,808,774	USD\$ 1,985,443
Fund and Investments		52,668,649	2	-
Current Liabilities		1,380	19,341,371	9,750
Capital Stock		54,600,000	18,050,000	100,000
Retained Earnings		(1,268,953)	417,405	1,875,693
Cumulative Translation adjustments		(162,982)	-	-
Total Assets		53,169,445	37,808,776	1,985,443
Total Liabilities		1,380	19,341,371	9,750
Shareholders' equity		53,168,065	18,467,405	1,975,693

(2) Income Statement

Unit: USD

Items	Company	Jih Sun International Investment Holding Company Limited	Jih Sun Services (Cayman) Limited	Jih Sun Capital Management Limited
Operating Income		USD\$ 2,674,920	USD\$ 3,210,637	USD\$ 242,851
Operating Expenses		(4,450)	(489,976)	(200,456)
Non-operating Income		2,198	9,378	129,365
Non-operating expence		-	(23,345)	-
Net Gain(Loss) Before Taxes		2,672,668	2,706,694	171,760
Net Gain(Loss) After Taxes		2,672,668	2,706,694	171,760

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JIH SUN SECURITIES CO., LTD.

NOTES TO FINANCIAL STATEMENTS (CONT'D)

b. Marketable securities held as of December 31, 2010:

Unit: share/ USD

Name of company holding securities	Marketable Securities type and name	Account	2010.12.31	
			Shares	Amount
Jih Sun Interational Investment Holding Company Limited	JS Cresvale Securities International Limited	Long-term Investment under equity method	293,000,000	\$ 32,225,551
	Jih Sun Services(Cayman) Limited.	"	18,050,000	18,467,405
	Jih Sun Capital Management Limited	"	100,000	1,975,693
	Total			<b>\$ 52,668,649</b>
Jih Sun Services (CAYMAN) Limited.	Securities and Beneficiary Certificate: less than USD3,000,000	Financial assets measured at fair value through profit or loss-current		\$ 27,646,004
	Derivative Products: Collateralized Debt Obligations (CDO)	Financial assets measured at fair value through profit or loss-current		-
	Asset Swap	"		1,120,821
	Total			28,766,825
	Global Communication Corp.	Available-for-sale financial assets-non-current	125,000	1
	Caprion Corp.	"	1,773	1
	Subtotal			2
Total			<b>\$ 28,766,827</b>	

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

Financial instrument transaction and the origin of capital source are disclosed in note 11(D).2 Jih Sun International Investment Holding Company Limited invests the subsidiary based on its own reserve. Jih Sun Services(Cayman) Limited engaged in financial derivative instrument transactions based on its own reserve and the capital gained from conditional transactions in which the accumulated unrealized evaluated losses were amounting to USD \$ 4,452 thousand dollars.

d. Related-party transactions:

Jih Sun International Investment Holding Company Limited, Jih Sun Services(Cayman) Limited, and Jih Sun Capital Management limited had no significant transactions with related-party in year 2010.

e. Lawsuit events:

Jih Sun International Investment Holding Company Limited, Jih Sun Services(Cayman) Limited, and Jih Sun Capital Management limited had no lawsuits in year 2010.

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

**12. SEGMENT FINANCIAL INFORMATION DISCLOSURE**

(A) The Company's financial information on industry segments for 2010 and 2009 are as follows:

The Company primarily engages in the related business of securities.

(B) Information by geographical region and export information

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

(C) Information on major clients

The Company has no single client represented 10% or more of its operating revenues during 2010 and 2009.

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

**SEGMENT FINANCIAL INFORMATION DISCLOSURE**

**AS OF DECEMBER 31, 2010 and 2009**

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**Jih Sun Securities Co., Ltd. – Futures Department**  
**Balance Sheets**  
**December 31, 2010 and 2009**  
(expressed in thousands of New Taiwan dollars)

	December 31,					December 31,			
	2010		2009			2010		2009	
<b>Assets</b>	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>	<b>Liabilities and Stockholders' Equities</b>	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
Current Assets					Current Liabilities				
Cash and cash equivalents (Note 4(A))	\$1,198,752	88	1,246,659	85	Financial liabilities measured at fair value	\$ -	-	1,417	-
Financial assets measured at fair value through profit or loss – current (Note 4(B))	106,030	8	159,524	11	through profit or loss – current				
Prepayments	458	-	249	-	Accounts payable	1	-	94	-
Other receivables	70	-	200	-	Other payable	66	-	420	-
Other receivables – related parties (Note5)	1	-	1	-	Total current liabilities	67	-	1,931	-
Total current assets	<u>1,305,311</u>	<u>96</u>	<u>1,406,633</u>	<u>96</u>	Total Liabilities	<u>67</u>	<u>-</u>	<u>1,931</u>	<u>-</u>
Other Assets					Stockholders' Equities				
Operation guaranteed deposits (Note 4(C))	10,000	1	10,000	1	Assigned working capital	1,400,000	103	1,700,000	117
Clearing and settlement fund	40,000	3	40,000	3	Accumulated deficit	(44,756)	(3)	(245,298)	(17)
Total other assets	<u>50,000</u>	<u>4</u>	<u>50,000</u>	<u>4</u>	Total stockholders' equities	<u>1,355,244</u>	<u>100</u>	<u>1,454,702</u>	<u>100</u>
<b>Total Assets</b>	<b><u>\$1,355,311</u></b>	<b><u>100</u></b>	<b><u>1,456,633</u></b>	<b><u>100</u></b>	<b>Total Liabilities and Stockholders' Equities</b>	<b><u>\$ 1,355,311</u></b>	<b><u>100</u></b>	<b><u>1,456,633</u></b>	<b><u>100</u></b>

(See the accompanying notes to the financial statements)

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**Jih Sun Securities Co., Ltd. – Futures Department**  
**Statements of Income**  
**For the years ended December 31, 2010 and 2009**  
**(expressed in thousands of New Taiwan dollars)**

Items	2010		2009	
	Amount	%	Amount	%
Revenues (Note 2(J))				
Gain from derivative financial products (Note 4(D))	\$ 361,696	99	286,512	98
Other operating income	-	-	3,549	1
Non-operating revenues and gains (Note 5(B))	4,344	1	3,326	1
	366,040	100	293,387	100
Expenditure				
Proprietary handling fee expense	1,690	-	5,898	2
Futures commission expense	468	-	5	-
Expense of clearing and settlement	1,144	-	3,898	1
Loss from derivative financial products (Note 4(D))	400,933	111	429,288	146
Operating expenses	6,026	2	10,209	4
Non-operating expense and loss	477	-	1,063	-
	410,738	113	450,361	153
Net loss from continuing operations before income tax	(44,698)	(13)	(156,974)	(53)
Income tax expense	(58)	-	(326)	-
Net loss	\$ (44,756)	(13)	(157,300)	(53)

(See the accompanying notes to the financial statements)

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**JIH SUN SECURITIES CO., LTD. – FUTURES DEPARTMENT**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2010 AND 2009**  
**(expressed in thousands of New Taiwan dollars, unless otherwise stated)**

**1. OVERVIEW**

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

**2. SIGNIFICANT ACCOUNTING POLICIES**

The Company’s financial statements were prepared in accordance with the “Regulations Governing the Preparation of Financial Statements by Futures Commission Merchants”, “Business Entity Accounting Act”, “Regulation on Business Entity Accounting Handling” and “Generally Accepted Accounting Principles in the Republic of China”. A summary of significant accounting policies and the bases of measurement are as follows:

**(A) Accounting Estimate**

The Company’s financial statements were prepared in accordance with Generally Accepted Accounting Principles. The Company had to use the reasonable amount of estimation for allowance for bad debt, pension, asset impairment, reserve for loss on breaches of contract and trading loss reserve, etc. Because the estimation was usually judged under the uncertain condition, and the actual result could differ from these estimates.

**(B) Asset impairment**

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

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

The Company records transactions in New Taiwan dollars. Monetary assets and liabilities denominated in foreign currencies are revalued at the spot rate on the balance sheet date. The resulting exchange gains or losses are recorded as non-operating income or loss. According to amended Statement of Financial Accounting Standards (SFAS) No. 14 “The Effects of Changes in Foreign Exchange Rates,” non-monetary assets or liabilities denominated in foreign currencies are measured at the historical exchange rate of the transaction date. Non-monetary assets or liabilities denominated in foreign currencies that are measured at fair value are translated into the functional currency using the spot rate at the balance sheet date. If the non-monetary assets or liabilities are measured at fair value through profit or loss, the resulting unrealized exchange income (loss) from such translations is reflected in the

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**NOTES TO FINANCIAL STATEMENTS (CONT'D)**

accompanying statements of income. If the non-monetary assets or liabilities are measured at fair value through stockholders' equity, the resulting unrealized exchange income (loss) from such translations is recorded as a separate adjustment component of stockholders' equity.

Foreign operating institution with equity-method of the Company are recorded in the functional currency. The translation of the financial statement is determined by the translated differences arising from the financial statement of domestic currency which are accounted under shareholders' equity as cumulative translation adjustment after tax. The adjustments will be incorporated into the profit or loss when the foreign operating institution is sold out or under liquidation.

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

Current assets are those which will be converted into cash or be used up within 12 months; all the other assets are classified as non-current assets.

Current liabilities are those which will be paid off in 12 months; all the other liabilities are classified as non-current liabilities.

**(E) Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand, bank savings, and short-term investments that are readily convertible to fixed amounts of cash and the interest rate fluctuations have little effect on their values with a short term maturity.

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

The Company adopted SFAS No.34“Financial Instruments: Recognition and Measurement”. Financial assets held for trading are accounted for using trade date accounting and measured at fair value when initially recognized.

Financial assets measured at fair value through profit or loss – current refers to financial assets held for trading or designated as at fair value through profit or loss .

Financial assets held for trading refers to financial assets which at the time of initial recognition were designated as asset for the purpose of trading. The following financial assets shall be classified as financial assets held for trading:

- a. Products acquired primarily for the purpose of sale or repurchase in the near term.
- b. Assets that are part of a group of distinct financial product portfolios under comprehensive management, where there is evidence that in the near term the group is in fact being managed for short-term profit.

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- c. Financial derivative products (except for financial guaranteed contract and derivative products of effective hedging ).

Financial assets held for trading shall be stated under their respective categories, according to trading purpose, as securities held for operations or as derivative financial products.

Financial assets measured at fair value through profit or loss should be measured at fair value. Fair value shall be recognized at the closing price of the balance sheet date.

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

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

**(G) Financial Liabilities Measured at Fair Value through Profit or Loss**

The company adopted SFAS No. 34 “Financial Instruments: Recognition and Measurement” Financial liabilities held for trading are accounted for using trade date accounting and measured at fair value when initially recognized.

Financial liabilities held or issued by the Company, when initially recognized, are measured at fair value through profit or loss, with changes in fair value to be recognized in gain or loss.

Financial liabilities measured at fair value through profit or loss-current refers to financial liabilities held for trading or financial liabilities designated at fair value through profit and loss.

Financial liabilities held for trading refers to financial liabilities which at the time of initial recognition were designated as liabilities for the purpose of trading. The following financial liabilities shall be classed as financial liabilities held for trading:

- a. Liabilities incurred primarily for the purpose of repurchase in the near term
- b. Liabilities that are part of a group of distinct financial product portfolios under comprehensive management, where there is evidence that in the near term the group is in fact being managed for short-term profit.
- c. Derivative financial liabilities
- d. Financial assets held for trading whose subsequent valuations measured at fair value as negative

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Derivative financial liabilities refer to those liabilities accounts created when a securities firm engages in derivative financial product transactions.

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

**(H) Trading Losses Reserve**

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

**(I) Assigned Working Capital**

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

**(J) Recognition of Revenue**

Revenue is recognized when realized or realizable and earned.

**(K) Income Tax**

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

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

**3. REASONS FOR AND EFFECT OF ACCOUNTING CHANGES : None.**

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**4. SUMMARY OF MAJOR ACCOUNTS**

**(A) CASH AND CASH EQUIVALENTS**

	<b>December 31,</b>	
	<b>2010</b>	<b>2009</b>
Savings accounts	\$ 9,205	84,462
Commercial paper	1,189,547	1,162,197
Total	<b>\$ 1,198,752</b>	<b>1,246,659</b>

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

	<b>December 31,</b>	
	<b>2010</b>	<b>2009</b>
Buy options – Trading	\$ -	918
Futures margin – own funds	106,030	158,606
	<b>\$ 106,030</b>	<b>159,524</b>

**(C) OPERATION GUARANTEED DEPOSITS**

In compliance with the “Regulations Governing Futures Commission Merchants”, as of December 31, 2010 and 2009, the company’s futures department had both provided \$10,000 of operation guaranteed deposits.

**(D) FINANCIAL PRODUCTS**

a. Financial Derivatives Products:

(1) Contract amount and fair value

As of December 31, 2010 and 2009, the Company’s futures contracts were as follows:

<b>Items</b>	<b>Transaction Type</b>	<b>Holder/ Seller</b>	<b>Volume</b>	<b>Contract Amount</b>	<b>Fair Value</b>	<b>Notes</b>
<b>Dec. 31, 2010</b>						
Futures	Taiwan Stock Index Future	Seller	<b>40</b>	<b>\$ (69,830)</b>	<b>(71,896)</b>	Trading
<b>Dec. 31, 2009</b>						
Futures	Hang Seng Index Futures	Holder	1	\$ 4,508	4,522	Trading
"	H-shares Index Futures	"	12	31,620	31,650	"
Total			<b>13</b>	<b>\$ 36,128</b>	<b>36,172</b>	
Options	Taiwan Stock Index Option - Put	Holder	444	\$ 1,588	912	Trading
"	Financial Index Option -Call	"	5	4	6	"
Total			<b>449</b>	<b>\$ 1,592</b>	<b>918</b>	

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<u>Items</u>	<u>Transaction Type</u>	<u>Holder/ Seller</u>	<u>Volume</u>	<u>Contract Amount</u>	<u>Fair Value</u>	<u>Notes</u>
<b>Dec. 31, 2009</b>						
Futures	Taiwan Stock Index Future	Seller	82	\$ (134,054)	(134,496)	Trading
"	Electronics Index Futures	"	6	(8,189)	(8,202)	"
"	Hang Seng Index Futures	"	6	(27,052)	(27,130)	"
"	H-shares Index Futures	"	2	(5,266)	(5,275)	"
Total			<u>96</u>	<u>\$ (174,561)</u>	<u>(175,103)</u>	
Options	Taiwan Stock Index Option- Call	Seller	<u>253</u>	<u>\$ (760)</u>	<u>(1,417)</u>	Trading

The above-mentioned fair value is mainly calculated based upon the closing price of future and option on the Taiwan Futures Exchange as of December 31, 2010 and 2009.

(2) Credit risk

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

(3) Market value risk

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

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

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

(5) Presentation of financial derivative products in the financial statements

The Company engaged in financial index futures and options transactions for trading purpose. Gains or losses as a result of evaluation, offset, settlement and maturity are recognized as current gain or loss. Futures margin and premiums derived from futures transaction, the difference calculated by market value accounted under futures margin-own funds in current assets, premium paid by options contract are recorded as liabilities of buy/sell options through their fair value on the balance sheet date.

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b. Fair Value of Financial Products

<b>Financial Assets</b>	<b>December 31,</b>			
	<b>2010</b>		<b>2009</b>	
	<b>Book Value</b>	<b>Fair Value</b>	<b>Book Value</b>	<b>Fair Value</b>
Financial assets with book value equal to fair value				
Cash and cash equivalents	\$ 1,198,752	1,198,752	1,246,659	1,246,659
Other receivables	70	70	200	200
Other receivables - related parties	1	1	1	1
Operation guaranteed deposits	10,000	10,000	10,000	10,000
Clearing and settlement fund	40,000	40,000	40,000	40,000
Financial asset measured at fair value through profit or loss - current				
Buy option – Trading	-	-	918	918
Futures margin – own fund	106,030	106,030	158,606	158,606
<b>TOTAL</b>	<b>\$ 1,354,853</b>	<b>1,354,853</b>	<b>1,456,384</b>	<b>1,456,384</b>

<b>Financial Liabilities</b>	<b>December 31,</b>			
	<b>2010</b>		<b>2009</b>	
	<b>Book Value</b>	<b>Fair Value</b>	<b>Book Value</b>	<b>Fair Value</b>
Financial liabilities with book value equal to fair value				
Accounts payable	\$ 1	1	94	94
Other payable	66	66	420	420
Financial liabilities measured at fair value through profit or loss - current				
Sell options – Trading	-	-	1,417	1,417
<b>TOTAL</b>	<b>\$ 67</b>	<b>67</b>	<b>1,931</b>	<b>1,931</b>

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

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

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

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

<b>Financial Assets</b>	<b>2010.12.31</b>	
	<b>Amount by open market price</b>	<b>Amount by evaluation method</b>
Financial assets with book value equal to fair value	\$ -	1,248,823
Futures margin – own fund	106,030	-
<b>Financial liabilities</b>		
Financial liabilities with book value equal to fair value	-	67

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

- d. Information of financial risk

(1) Market risk

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

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

(2) Credit risk

The Company's main potential credit risk is from cash and cash equivalents, financial assets at fair value through profit or loss, and other receivables, operating guaranteed deposit and financial instrument of clearing and settlement fund from brokerage activities.

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To diversify its risk effectively, the Company makes cash deposits in several well-known financial institutions concentration risk diversification in order to avoid the risk of cash shortage in each financial institution. Moreover, the Company only deals with high-credit-rating companies for the purpose of eliminating credit risk; in relation to the investment of corporate bond, short-term securities of cash equivalents, the Company purchased from high-credit-rating companies in order to decrease credit risk.

For reducing credit risk, the Company evaluates counterparties' credit rating and evaluates its credit condition on an ongoing basis before entering into a transaction. Moreover, the Company sets a credit limit to each counterparty according to its internal credit evaluation report, in order to reduce credit risk exposure. There is no significant concentration of credit risk within the Company as the Company constantly review the credit rating of its counterparties.

(3) Liquidity risk

The capital and operating fund of the company can support to execute full obligation of the contract, therefore there is no risk for unable to raise the capital. However, in order to control the liquidity risk of managing the capital effectively, each operating date, the Company prepares the analysis of the capital gap in order to cope with the emergency situation.

The Company can quickly sell both of its non-closing position of future and option and the investment of equity at fair value in the market. Therefore, the risk of not being able to quickly sell such contracts at fair value in the market is low.

(4) Cash flow risk arising from interest rate change

Bonds Investment of the Company was based on fixed and floating rate. Therefore, changes in market interest rate will affect its effective interest rate of part of the bonds investment and will fluctuate its future cash flow.

e. Risk management and policy

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

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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 products in order to avoid specific risks of the valuation's fluctuation for holding the financial items.

- f. Financial products with the credit risk out of balance sheet : None
- g. Information of the credit risk conspicuously assemble :

Since the Company has widespread clients and does not have any significantly concentrated transaction with a single client, therefore the credit risk of receivables do not concentrate apparently.

**5. RELATED-PARTY TRANSACTIONS**

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

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

(B) Significant Transactions with Related Parties

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

<u>Bank Deposit</u>	<u>December 31,</u>			
	<u>2010</u>		<u>2009</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Saving account	\$ 1,714	-	12,059	1
Time deposits (Note)	10,000	1	10,000	1
Total	<u>\$ 11,714</u>	<u>1</u>	<u>22,059</u>	<u>2</u>

(Note) As of December 31, 2010 and 2009, the amount of Company's bank deposit in Jih Sun International Bank Ltd. including operation guaranteed deposits \$10,000 separately.

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

Name of Related Party	December 31,			
	2010		2009	
	Amount	%	Amount	%
Other Receivables				
Jih Sun International Bank Ltd.	\$ 1	1	1	-

c. The Company's interest income from Jih Sun International Bank Ltd. for \$20 and \$974 in 2010 and 2009, respectively.

d. For the years ended December 31, 2010 and 2009, the Company's futures margin in Jih Sun Futures Co., Ltd. amounting to \$0 and \$14,779, respectively.

**6. PLEDGED ASSETS : NONE**

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

**8. SIGNIFICANT CASUALTY LOSS : NONE**

**9. INFORMATION ABOUT FINANCIAL DERIVATIVE PRODUCTS**

For information about derivative financial products trading as of December 31, 2010 and 2009, please refer to Note (D)a.

**10. LIMITS ON FINANCIAL RATIOS AND CONDITIONS ACCORDING TO RULES ON FUTURES TRANSACTIONS**

Article	Formula	Current Period		Previous Period		Benchmark	Result
		Calculation	Ratio	Calculation	Ratio		
17	Equities/(Liabilities – Futures Traders' Equity – Futures Trading Loss Reserve – Reserve for Loss on Breaches of Contract)	<u>1,355,244</u> 67	20,227.52	<u>1,454,702</u> 1,931	753.34	≥ 1	Meets benchmark
17	Current Assets/Current Liabilities	<u>1,305,311</u> 67	19,482.25	<u>1,406,633</u> 1,931	728.45	≥ 1	"
22	Equities/Minimum Paid-in Capital	<u>1,355,244</u> 400,000	339%	<u>1,454,702</u> 400,000	364%	≥ 60% ≥ 40%	"
22	Adjusted Net Capital/The Total Amount of Margins Required for the Non-offset Position of the Futures Customers	<u>1,350,348</u> 1,880	71,827%	<u>1,445,700</u> 13,076	11,056%	≥ 20% ≥ 15%	"

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

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**11. SPECIAL RISK OF FUTURES CONTRACTS**

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

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

**13. SIGNIFICANT SUBSEQUENT EVENTS :**

On January 11, 2011, the Financial Supervisory Commission revoked the rules regarding provision for trading losses reserve for securities firms and futures commission merchants contained in the “Regulations Governing Securities Firms” and the “Regulations Governing Futures Commission Merchants” in FSC Jin-Kuan-Cheng-Chuan No. 0990073857 and FSC Jin-Kuan-Cheng-Chi No. 1000000289. As of December 31, 2010, the amount of trading losses reserve and reserve for loss on breaches of contract which securities firms and futures commission merchants had made provision for should be reclassified as special reserve. The special reserve can only be used to offset a deficit or when special reserve reaches 50% of total paid-in capital, of which 50% can be capitalized.

**14. SIGNIFICANT INFORMATION RELATED TO TRANSACTIONS :**

- (a) Loans to other businesses or individuals: none.
- (b) Endorsements and guarantees for others: none.
- (c) Acquisition of real estate exceeding \$100,000 or 20% of paid-in capital: none.
- (d) Disposal of real estate exceeding \$100,000 or 20% of paid-in capital: none.
- (e) Discount on commission fees for transactions with related parties up to \$5,000: none.
- (f) Receivables from related parties up to \$100,000 or 20% of paid-in capital: none.

**15. INFORMATION RELATED TO REINVESTMENT : NONE**

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

**17. OTHERS : NONE**