

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

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31,2005 AND 2004

AND

INDEPENDENT AUDITORS' REPORT

The reader is advised that these financial statement 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 statement shall prevail

**ADDRESS: 8F, No. 68 Sung-Chiang Road, Taipei,
Taiwan, R.O.C.**

TELEPHONE: 886-2-2561-5888

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

CONSOLIDATED FINANCIAL STATEMENTS

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(English Translation)
Independent Auditors' Report

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

We have audited the accompanying consolidated balance sheets of Jih Sun Financial Holding Co., Ltd. and subsidiaries as of December 31, 2005 and 2004, and the related consolidated statements of income, changes in stockholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

As described in Note 13, in accordance with the Law Governing Merger of Financial Institutions and SFC Ruling Letter (3) 0913000051, the Company's subsidiary, Jih Sun International Bank, Ltd., amortized loss on sale of non-performing loans over 5 years, with the unamortized remaining balance reflected as deferred expense. If the loss on sale of non-performing loans were recognized currently, deferred loss on disposal of non-performing loans would be decreased and accumulated deficit would be increased by \$11,621,017 thousand and \$9,151,164 thousand, respectively, as of December 31, 2005 and 2004, and net loss of 2005 would be decreased by \$2,469,853 thousand and net income of 2004 would be decreased by \$3,849,018 thousand.

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

As described in Note 1, the consolidated subsidiaries in 2005 were different from those in 2004 due to the adoption of revised SFAS NO.7, and the 2004 financial statements weren't restated.

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

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

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

ASSETS	December 31, 2005		December 31, 2004		LIABILITIES AND STOCKHOLDERS' EQUITY	December 31, 2005		December 31, 2004	
	Amount	%	Amount	%		Amount	%	Amount	%
Current assets:					Current liabilities:				
Cash and cash equivalents(Note 4(1))	\$ 12,045,113	4	9,796,037	3	Short-term borrowings(Note 4(13))	\$ 4,140,000	1	4,288,000	1
Due from Central Bank and Banks(Note 4(2))	11,584,914	3	12,679,082	4	Commercial paper payable(Note 4(14))	1,219,088	-	4,508,615	1
Short-term investments, net(Note 4(3))	27,017,975	8	20,442,995	6	Liabilities of bonds with repurchase agreements(Note 4(15))	28,298,419	8	17,938,396	6
Receivables, net(Note 4(5))	14,141,151	5	14,405,071	5	Liabilities for stock warrants issued(Note 4(18))	301,350	-	-	-
Receivables from securities financing, net(Note 4(6))	13,638,476	4	13,819,849	4	Repurchased stock warrants(Note 4(19))	(229,091)	-	-	-
Securities refinance margin deposits	10,039	-	517	-	Due to Central Bank	13,651	-	11,533	-
Receivables from securities refinance	12,651	-	600	-	Due to banks(Note 4(16))	15,861,133	5	14,524,547	4
Other financial assets - liquidity(Note 4(8))	2,222,973	1	5,730,489	2	Payables(Note 4(17))	7,388,891	2	6,618,703	2
Receivables - futures margin	717,365	-	787,509	-	Securities financing guaranty deposits	1,724,358	1	1,724,784	1
Deposits for securities refinancing	4,015	-	-	-	Financing securities guaranteed proceeds payable	2,143,813	1	1,984,303	1
Receivables from securities refinancing collateral	4,472	-	-	-	Other current liabilities	2,822,711	1	777,200	-
Financial derivatives assets	136,633	-	42,577	-	Customers' equity in futures transactions(Note 4(20))	5,063,719	1	5,683,044	2
Operating securities - dealer(Note 4(7))	22,236,294	7	12,610,644	4	Financial derivatives liabilities	148,078	-	85,623	-
Investments in redeemable bonds(Note 4(4))	7,496,388	2	16,362,116	5	Deposits and remittances(Notes 4(21) and 5)	221,407,926	65	219,712,200	68
Time deposits pledged - current(Note 6)	490,010	-	1,457,859	-		<u>290,304,046</u>	<u>85</u>	<u>277,856,948</u>	<u>86</u>
Other current assets(Notes 4(28) and 4(31))	3,095,985	1	3,634,957	1	Long-term liabilities:				
Negotiated bills of exchange, notes discounted and loans, net(Notes 4(9) and 5)	191,286,546	57	177,907,629	55	Financial debentures(Note 4(22))	11,000,000	3	9,000,000	3
	<u>306,141,000</u>	<u>92</u>	<u>289,677,931</u>	<u>89</u>	Bonds payable(Note 4(23))	9,000,000	3	1,000,000	-
Long-term equity investments:(Notes 4(10) and 6)					Long-term borrowings(Note 4(24))	1,992,880	1	4,118,505	1
Long-term equity investments accounted for under the equity-method	-	-	1,811,390	1	Appropriated loan fund(Note 4(25))	87,300	-	162,570	-
Long-term equity investments accounted for under the cost-method	2,605,139	1	1,914,164	1	Reserve for Land Revaluation Increment Tax(Note 4(26))	59,430	-	43,641	-
Long-term investments in bonds	1,877,496	1	1,887,087	1		<u>22,139,610</u>	<u>7</u>	<u>14,324,716</u>	<u>4</u>
Other long-term investments	478,796	-	478,796	-	Other liabilities:				
	<u>4,961,431</u>	<u>2</u>	<u>6,091,437</u>	<u>3</u>	Reserve for guarantees	-	-	4,256	-
Other financial assets - non-current(Note 6)					Default indemnity reserve	240,570	-	230,669	-
Property and equipment:(Notes 4(11), 5 and 6)					Securities trading loss reserve	34,216	-	4,632	-
Land	3,855,619	1	3,576,900	1	Allowance for doubtful accounts	44,470	-	44,470	-
Buildings	3,205,792	1	2,742,482	1	Accrued pension liabilities(Note 4(28))	89,291	-	61,515	-
Other equipment	2,238,247	1	2,169,935	1	Guaranty deposits-in(Note 5)	3,495	-	27,743	-
Construction in progress	4,351	-	16,293	-	Other liabilities-others	588,551	-	178	-
Prepayment for equipment	82,933	-	82,973	-		<u>1,000,593</u>	<u>-</u>	<u>373,463</u>	<u>-</u>
Leasehold improvements	830,164	-	759,178	-	Total liabilities	<u>313,444,249</u>	<u>92</u>	<u>292,555,127</u>	<u>90</u>
Less:Accumulated depreciation	10,217,106	3	9,347,761	3	Stockholders' equity:				
	<u>2,480,159</u>	<u>1</u>	<u>2,109,357</u>	<u>1</u>	Capital stock(Note 4(29))				
	<u>7,736,947</u>	<u>2</u>	<u>7,238,404</u>	<u>2</u>	Common stock	22,532,732	7	22,532,732	7
	<u>1,559,958</u>	<u>-</u>	<u>56,423</u>	<u>-</u>	Capital surplus:(Note 4(29))				
Intangible assets					Capital surplus-premium on stock issuance	9,477,820	2	10,108,568	3
Other assets:					Capital surplus-trading of treasury stock	15,419	-	82	-
Guarantee deposits paid(Notes 5 and 6)	1,100,892	-	842,140	-	Capital surplus-long-term investments	-	-	18,395	-
Overdue receivables(Note 4(12))	3,613,132	1	7,201,532	2	Retained earnings				
Allowance for bad debts - overdue receivables(Note 4(12))	(2,589,936)	(1)	(1,653,969)	-	Accumulated deficit	(4,394,614)	(1)	(649,225)	-
Pledged properties received, net	2,757,632	1	2,118,914	1	Other adjustments to stockholders' equity:				
Operating deposits	995,000	-	925,000	-	Cumulative translation adjustments	(85,205)	-	(138,833)	-
Securities settlement fund	509,095	-	457,648	-	Net loss not recognized as pension cost(Note 4(28))	(17,218)	-	-	-
Cash and cash equivalents - collection of stock warrant's strike price	2,836	-	33	-	Treasury stock - common stock(Note 4(29))	(1,201,580)	-	(1,592,116)	-
Cash and cash equivalents - collection of securities underwritten	302,764	-	38	-	Minority interest	17,322	-	16,478	-
Deferred debits	93,015	-	217,251	-		<u>26,344,676</u>	<u>8</u>	<u>30,296,081</u>	<u>10</u>
Deferred income tax assets(Note 4(31))	39,829	-	34,884	-	Total stockholders' equity				
Deferred loss on disposal of non-performing loans(Note 4(12))	11,621,017	3	9,151,164	3	Significant commitments and contingencies(Note 7)				
Deferred pension cost(Note 4(28))	1,773	-	1,514	-	TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$ 339,788,925</u>	<u>100</u>	<u>322,851,208</u>	<u>100</u>
Other Assets-others	205,001	-	14,015	-					
Other assets	<u>18,652,050</u>	<u>4</u>	<u>19,310,164</u>	<u>6</u>					

(English Translation)

JIH SUN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
Years Ended December 31, 2005 and 2004
(New Taiwan Dollars In Thousands)

	Capital surplus				Accumulated deficit	Cumulative translation adjustments	Net loss not recognized as pension cost	Treasury stock - common stock	Minority interest	Total
	Common stock	Additional paid-in capital	Treasury stock	Long-term investments						
Balance, January 1, 2004	\$ 22,532,732	10,108,568	20,592	18,395	(1,401,274)	(31,748)	(34)	(1,941,895)	15,490	29,320,826
Net income for 2004	-	-	-	-	1,120,848	-	-	-	2,076	1,122,924
Cash dividend	-	-	-	-	-	-	-	-	(1,044)	(1,044)
Employee bonus	-	-	-	-	-	-	-	-	(44)	(44)
Recognition of translation adjustment of subsidiaries	-	-	-	-	-	(107,085)	-	-	-	(107,085)
Net loss not recognized as pension cost of subsidiaries	-	-	-	-	-	-	34	-	-	34
Purchase of treasury stock	-	-	-	-	-	-	-	(1,201,580)	-	(1,201,580)
Treasury stock transferred to employees by subsidiaries	-	-	(430)	-	(4,058)	-	-	897,524	-	893,036
Disposal of treasury stock by subsidiaries	-	-	(20,080)	-	(364,741)	-	-	653,835	-	269,014
Ending balance - December 31, 2004	22,532,732	10,108,568	82	18,395	(649,225)	(138,833)	-	(1,592,116)	16,478	30,296,081
Recognition of translation adjustment of subsidiaries	-	-	-	-	-	53,628	-	-	-	53,628
Net loss not recognized as pension cost	-	-	-	-	-	-	(17,218)	-	-	(17,218)
Net loss for 2005	-	-	-	-	(4,394,267)	-	-	-	2,132	(4,392,135)
Cash dividend	-	-	-	-	-	-	-	-	(1,893)	(1,893)
Capital surplus against accumulated deficit	-	(630,748)	(82)	(18,395)	649,225	-	-	-	-	-
Treasury stock transferred to employees by subsidiaries	-	-	-	-	(347)	-	-	59,955	-	59,608
Effect of consolidation of subsidiaries initially	-	-	-	-	-	-	-	-	605	605
Treasury stock transferred to employees	-	-	15,419	-	-	-	-	330,581	-	346,000
Ending balance - December 31, 2005	\$ 22,532,732	9,477,820	15,419	-	(4,394,614)	(85,205)	(17,218)	(1,201,580)	17,322	26,344,676

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

(English Translation)
JIH SUN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended December 31, 2005 and 2004
(New Taiwan Dollars in Thousands)

	2005	2004
Cash flows from operating activities:		
Consolidated net income(loss)	\$ (4,394,267)	1,120,848
Minority interest income	2,132	2,076
Adjustments to reconcile net income(loss) to net cash provided by (used in) operating activities:		
Depreciation	535,879	427,165
Amortization of goodwill	157,202	18,808
Amortization	102,456	88,056
Investment Income on equity-method investees	-	(23,382)
Loss on decrease of long-term equity investments	-	5,204
Provision (reserve) for securities trading loss reserve	29,584	(5,791)
Recovery gain on evaluation of operating securities	(112,607)	(362,527)
Recovery gain on evaluation of breach securities	-	(740)
Various reserves and provisions	5,782,738	3,072,929
Default indemnity reserve increase	14,090	14,593
Amortization of premium on bond investments	9,591	10,535
Gain on disposal of short-term investments	(102,622)	-
Gain on disposal of long-term investments	-	(4,973)
Loss on disposal of properties and equipments	21,974	19,229
Fixed assets written off to expense	467	552
Loss(gain) on decline in market value of collateral	(60,203)	80,570
Loss(gain) on disposal of collateral	110,944	(12,468)
Amortization of loss on disposal of non-performing loans	2,975,217	-
Loss on disposal of non-performing loans	-	51,915
Changes in operating assets and liabilities:		
Receivables	1,400,682	(3,301,729)
Receivables from securities financing	181,373	293,400
Securities refinance margin deposits	(9,522)	1,313
Receivables from securities refinance	(12,051)	1,433
Other financial assets - liquidity	3,507,516	(1,126,652)
Receivables - futures margin	70,144	(149,653)
Stock borrowing margin	(4,472)	28,328
Stock borrowing collateral price	(4,015)	31,475
Financial derivatives assets	(94,056)	(42,537)
Operating securities - dealer	(9,513,043)	(5,003,903)
Other current assets	538,972	(1,088,597)
Deferred income tax assets	(4,945)	(9,991)
Investments in redeemable bonds	8,865,728	(692,696)
Operating deposits	(70,000)	(30,000)
Securities settlement fund	(51,447)	(54,884)
Securities brokerage credit accounts, net	(34,297)	(3,851)
Cash and cash equivalents - collection of stock warrant's strike price	(2,803)	569
Cash and cash equivalents - collection of securities underwritten	(302,726)	29
Liabilities of bonds with repurchase agreements	10,360,023	8,018,201
Payables	597,763	1,192,069
Financing securities guaranty deposits	(426)	894,615
Financing securities guaranteed proceeds payable	159,510	999,446
Liabilities for stock warrants issued	301,350	(599,568)
Repurchase for stock warrants issued	(229,091)	-
Other current liabilities	2,039,896	49,320
Customers' Equity in Futures Transactions	(619,325)	1,089,902
Financial derivatives liabilities	62,455	85,623
Accrued pension liabilities	27,776	16,208
Net cash provided by operating activities	22,233,544	5,100,469

JIH SUN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONT'D)
Years Ended December 31, 2005 and 2004
(New Taiwan Dollars in Thousands)

	<u>2005</u>	<u>2004</u>
Cash flows from investing activities:		
Increase in long-term equity investments	(699,700)	(610,268)
Decrease in long-term equity investments	8,725	112,237
Sale of long-term investments	-	22,919
Proceeds from securitizations	-	3,761,711
Proceeds from sale of property and equipment	20,024	13,999
Purchase of property and equipment	(474,477)	(700,080)
Proceeds from disposal of foreclosed properties	24,288	111,020
Purchase of pledged collateral	(776,820)	-
Proceeds from sale of non-performing loans	1,582,588	-
Proceeds from purchase of the assets and liabilities of Trust Department of Taiwan Development Co.,Ltd.	5,292,759	-
Decrease (increase) in time deposits pledged	967,849	(704,859)
Increase in short-term investments	(5,872,976)	(18,099,311)
Increase in discounted bills and loans	(16,890,810)	(20,218,126)
Decrease(increase) in other financial assets	407,373	(433,000)
Increase in refundable deposits-out	(1,003,983)	(102,512)
Deferred debits	(50,151)	(52,840)
Increase in other assets	(76,713)	(6,925,001)
(Increase)decrease in due to Central Bank and Banks	(820,684)	1,163,568
Net cash flow provided by (used in) investing activities	<u>(18,362,708)</u>	<u>(42,660,543)</u>
Cash flow from financing activities:		
Decrease in short-term borrowings	(148,000)	(2,624,000)
(Decrease)increase in commercial paper payable	(3,289,527)	2,266,336
Current portion of long-term liabilities	-	(500,000)
Increase in due to Central Bank	2,118	1,125
(Decrease)increase in due to banks	(284,156)	552,000
(Decrease)increase in customer deposits	(13,162,244)	30,678,256
Issuance of financial debentures	10,000,000	5,000,000
Increase in long-term debt	(2,125,625)	3,913,505
Appropriated loan fund	(75,270)	2,880
Increase in reserve for land revaluation increment tax	15,789	-
Cash dividend	(1,893)	-
Decrease guaranty deposits-in	(24,248)	(474,036)
Increase in other liabilities	561,199	96,544
Treasury stock transferred to employees	59,608	1,162,050
Purchase of treasury stock	-	(1,201,580)
Treasury stock transferred to employees	346,000	-
Net cash provided by(used in) financing activities	<u>(8,126,249)</u>	<u>38,873,080</u>
Effect of consolidation of subsidiaries initially	1,810,785	-
Effect of foreign exchange	53,628	(107,085)
Net increase (decrease) in cash and cash equivalents	<u>(2,391,000)</u>	<u>1,205,921</u>
Cash and cash equivalents, beginning of the period	<u>20,284,734</u>	<u>19,078,813</u>
Cash and cash equivalents, end of the period	<u>\$ 17,893,734</u>	<u>20,284,734</u>
Supplemental disclosures of cash flow information:		
Interest paid	<u>\$ 3,848,058</u>	<u>3,525,070</u>
Tax paid	<u>\$ 610,253</u>	<u>356,244</u>
Changes in net loss not recognized as pension cost	<u>\$ 17,218</u>	<u>-</u>
Cash and cash equivalents		
Cash (excluding time deposits due beyond 90 days)	\$ 12,045,113	9,796,037
Due from Central Bank and Banks (excluding required reserve)	3,443,161	5,358,013
Short-term bills due within 90 days	2,405,460	5,130,684
	<u>\$ 17,893,734</u>	<u>20,284,734</u>
Non-cash flow activities resulting from purchases of the assets and liabilities of Trust Department of Taiwan Development Co.,Ltd.(Note 4(33))	<u>\$ 5,292,759</u>	<u>-</u>

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

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

1.1 OVERVIEW

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

The Company conducts business in the following areas:

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

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

As of December 31, 2005, the number of Company and subsidiaries’ employees was 5,325.

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

1.2 Basis For Consolidation

(1) The company: Jih Sun Financial Holding Co., Ltd.

		December 31, 2005	December 31, 2004	Conducts business	Note
Jih Sun Financial Holding Co., Ltd.	Jih Sun Securities Co., Ltd.	100.000%	100.000%	Engages in the activities of securities trust, securities dealing, securities underwriting, securities financing, stock transaction handling, futures dealing, and auxiliary services for futures trading and stock warrant issuance.	
Jih Sun Financial Holding Co., Ltd.	Jih Sun International Bank, Ltd.	100.000%	100.000%	The Bank's major operations include managing customer deposits, extending loans, acting as collection agent and investing in government bonds, short-term bills, securities, financial debentures and other businesses approved by the competent authority of the Central Government. As for the scope of the Bank's trust business, it includes domestic and overseas fund purchases and sales entrusted by customers and employee investments and trust, etc.	
Jih Sun Financial Holding Co., Ltd.	Jih Sun Product Insurance Agent Co., Ltd.	100.000%	100.000%	Product Insurance Agent.	
Jih Sun Securities Co., Ltd.	Jih Sun Futures Co., Ltd.	98.138%	98.138%	Futures dealing Futures consulting	
Jih Sun International Bank, Ltd.	Jih Sun Life Insurance Agent Co.,	99.000%	99.000%	Life Insurance Agent	
		December 31, 2005	December 31, 2004	Conducts business	Note

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

Jih Sun Securities Co., Ltd.	JihSun International Investment Holding Company Limited	100.000%	100.000%	Securities dealing Reasurch of securities Personal financing planning
Jih Sun Securities Co., Ltd	Jih Sun Securities Investment Consulting Co., Ltd.	100.000%	100.000%	Reasurch of securities investment
Jih Sun Securities Co., Ltd	Jih Sun Managed Futures Co., Ltd	100.000%	100.000%	Managed Futures
JihSun International Investment Holding Company Limited	Jih Sun Cresvale Securities International Limited	100.000%	100.000%	Securities trust Securities dealing Securities underwriting
JihSun International Investment Holding Company Limited	Jih Sun Financial Services (Cayman) Ltd.	100.000%	100.000%	Securities financing
JihSun International Investment Holding Company Limited	Jih Sun Technology Management Consulting Limited	100.000%	100.000%	Fund Assets management
Jih Sun Cresvale Securities International Limited	Jih Sun Cresvale Financial International Limited	100.000%	100.000%	Securities dealing Fund sales Securities dealing

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

(2) Changes in affiliate companies:

Due to the adoption of revised Statement of Financial Accounting Standards' NO.7, the subsidiaries which were below 10% of total assets or total revenues of the Company were not consolidated in 2004, but were consolidated in 2005. The 2004 financial statements weren't restated.

(3) Affiliates not included in the consolidated financial statements: None.

(4) Affiliates with different accounting period with the parent company: None.

(5) Affiliates with different accounting policies with the parent company: None.

(6) Unusual risks from foreign affiliates: None.

(7) Regulation or contract restrictions on earnings distribution of affiliates: There were no regulation or contract restrictions on earnings distribution of affiliates- Jih Sun International Investment Holding Company Limited, Jih Sun Cresvale Securities International Limited, Jih Sun Cresvale Financial Limited, Jih Sun Financial Services(Cayman) Ltd, and Jih Sun Technology Management Consulting Limited. Except for Jih Sun

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

International Bank, Ltd., which is required to make a provision of 30% for capital surplus, and Jih Sun Securities Co., Ltd. and Jih Sun Futures Co., Ltd. which are required to make a provision of 20% for special reserve, the remaining affiliates located in R.O.C have similar restrictions as the Company.

(8) Method and period of amortization of consolidated debits (credits): Amortized by 5 years.

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

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

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

(10) The transactions between the subsidiaries and the Company:

All significant transactions between the Company and its subsidiaries which were eliminated when preparing 2005 consolidated financial statements, please refer to Note 5.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Except for amortizing loss on sale of non-performing loans over 5 years in accordance with the Law Governing Merger of Financial Institutions and SFC Ruling Letters (3) 0913000051, the Company and its subsidiaries' consolidated financial statements were prepared in accordance with the Regulations Governing the Preparation of Financial Statements for Financial Holding Companies, the Regulations Governing the Preparation of Financial Statements for Banks, the Regulations Governing the Preparation of Financial Statements for Security Issuers, the Regulations Governing the Preparation of Financial Statements for Future Issuers, and generally accepted accounting principles of the Republic of China. A summary of significant accounting policies is as follows:

1) Assets Impairment

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

2) Compilation Basis for Statement of Cash Flows

The statement of cash flows is based on cash and cash equivalents. Cash equivalents are defined as highly liquid short-term investments not affected by interest rate fluctuations readily convertible into known amounts of cash, non-reserve deposits due from the Central Bank, due from banks with maturities within three months, remittances in transit, and bills with resale agreements with maturities within three months. .

3) Short-Term Investments (including bills purchased due to bank operations)

Non-listed open-end beneficiary certificates are stated at cost and valued by the lower of cost or market value, with market value based on the net asset worth on the balance sheet date. The specific identification method is used to compute gain or loss upon sale.

Commercial paper, banker's acceptances and negotiable time deposits are carried at cost, and the gain or loss on their disposition is calculated based on the specific identification method. At year-end, the lower of aggregate cost or market value is used to evaluate such investments.

Bonds are carried at cost, and the gain or loss on disposition is calculated based on the specific identification method.

Stock and beneficiary certificates are stated at cost and evaluated at the lower of aggregate cost or market value at year-end. Gain or loss on such investments is calculated based on moving average cost method.

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

4) Operating Securities

Government bonds, and securities listed on the stock exchange or traded over-the-counter are recorded at cost and revalued at the lower of aggregate cost or market value at period-end, except for hedging securities purchased to hedge against fluctuations in the value of stock warrants which are valued according to category, and shares of parent company held due to stock conversion which are valued in accordance to SFAS No 30 "Accounting for Treasury Stock" as a single category. The specific identification method is used to compute the gain or loss upon sale of such investments. The market value of operating securities is determined on the basis of the last market closing price at the end of the period. Cash dividends received are recorded as investment income while stock dividends derived from capitalization of capital reserve or retained earnings are accounted for as an increase in the number of shares held and not as investment income, and the unit cost per share is recomputed using the weighted-average method.

5) Investments in Redeemable Bonds and Liability of Bonds with Repurchase Agreements

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

6) Receivables of Credit Card Transactions

The Subsidiary bank record the amount claimed from various stores as receivable instead of revenue. The related interest, if any, income recognized on the accrued basis.

7) Margin Loans and Refinancing

For margin loans undertaken by the Company's subsidiary-Jih Sun Securities Co., Ltd., the amount financed by the investors for the purchase of securities is recorded as receivable from securities financing. Such loans are secured by the securities purchased by the investors. These securities will be returned to the investors when the financing loans are repaid.

For securities financing transactions, the deposit on securities financing is recorded as securities financing guarantee deposit. Proceeds from sales of securities financed, less any dealing commission, financing commission, and security exchange tax, are held by the company as collateral and recorded as deposit financing securities guaranteed proceeds payable. Deposits and proceeds payable are refunded to investors upon the repayment of the loans.

Should the company have insufficient cash flow when undertaking margin loans, the company could obtain refinancing from securities finance companies. Such financing is recorded as borrowing for refinancing and the related securities is held by the finance company as collateral. Similarly, should the company have insufficient securities position to undertake securities refinancing, the company can borrow securities from securities finance companies. The deposits on the securities borrowed are recorded as deposits for securities refinancing. The proceeds from the sell of securities borrowed are held by the securities finance companies as collateral and are recorded as receivable from securities refinancing collateral.

8) Allowances for Doubtful Accounts

For securities firms and future firms, an allowance for doubtful accounts is provided based upon the assessment, the individual year end balance of the notes and accounts receivable.

For banks, an allowance for doubtful accounts is provided by based upon the assessment of the possible loss on loans, guarantees, and accounts receivable by evaluating credit ratings or age analysis and also assessing the value of the collateral received in accordance with the MOF's "Rules Regarding Provisions for Loss on Bank's Assets and Treatment for Overdue Receivables." The provisions of allowance of doubtful accounts are recorded as "Various Reserves" in according to the above MOF's Rules.

9) Written-off of bad debts

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

- ① Due to dissolution, disappearance, settlement or bankruptcy announcement of the debtor or other reasons, the debt in full or in part is not collectible.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

②The valuation of the debtor's assets including the collateral is rather low, or there is no repayment value after deduction of the preferences on the collateral, or the administrative expenses approximate or exceed the amount that can be paid to the Bank and there is no actual value.

③Despite numerous reduced price auctions of the debtor's assets including the collateral, there is no buyer and the Bank has not received any actual benefit.

④Overdue loans are past due more than two years, and has not been repaid despite aggressive collection measures.

Overdue loans and past due amounts that have been overdue for anywhere from six months to two years and deemed uncollectible, should be written-off as bad debts after deduction of the collectible amount.

10) Warrants

Liabilities for stock warrants issued are stated at issuance price. Repurchased stock warrants are recorded as a contra account of such liabilities at repurchase cost. Cost of stock warrants resold is determined by the moving-average method; any resulting gain or loss is credited or charged to current income. The liabilities for stock warrants issued and repurchased stock warrants are revalued at market as of the balance sheet date; the resulting gain or loss is accounted for as "gain (or loss) on revaluation of liabilities for stock warrants issued" and "gain (or loss) on revaluation of repurchased stock warrants", respectively. Loss on revaluation of liabilities for stock warrants issued is deferred to the extent such loss is less than the unrealized gain on the related hedge securities; revaluation loss in excess of unrealized gain on hedge securities is charged to current loss.

11) Long-Term Equity Investments

Long-term equity investments in common stock of companies less than 20% of voting right, and where the Company has no influence are stated as follows:

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

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

For long-term equity investments where the Company has controlling interest or significant influence are accounted for under the equity method.

Balance sheet accounts of the financial statements of foreign subsidiaries are translated at period-end exchange rates, and income statement items are translated at weighted-average exchange rates prevailing during the period. Retained earnings at the beginning of the period are carried at the translated amount of the prior period, whereas the other stockholders' equity accounts are translated at historical rates. The resulting translation adjustments are recorded in the translation adjustment account in stockholders' equity.

Long-term bond investments are long-term holdings of government bonds that are carried at cost and adjusted by accumulated unamortized discount or premium. Gain or loss on such investments is calculated based on the moving-average cost method.

12) Property and Equipment

Premises and equipment are stated at cost. Major additions, improvements, and replacements are capitalized, while maintenance and repairs are charged to current earnings. Interest incurred in acquisition of premises and until they are ready for use is capitalized as part of the acquisition costs. Repairs and maintenance are expensed currently.

Depreciation is applied by the straight-line method with economic lives stipulated by the government. Assets still in use after full depreciation may continue to be depreciated by estimated remaining economic lives. Economic lives of major premises and equipment are the following: buildings, 3 to 55 years; other equipment, 3 to 10 years; leasehold improvements, 3 to 15 years.

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

13) Leasehold Rights

The various costs incurred after acquiring the underlying asset related to the operating lease is amortized

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

according to their useful lives over 5 years using the straight-line method or lease period (whichever is shorter).

14) Deferred Charges

Deferred charges such as which comprised of telephone line installation expense and computer software costs are amortized using the straight-line method over 3 to 5 years.

15) Intangible assets

Intangible assets such as which comprised of goodwill and operating rights are amortized using the straight-line method over 5 years.

16) Valuation Method of Assumed Collateral

Valuation method for assumed collateral is based on using the assumed or purchase price as the minimum disposal price. If the main bank sets a different price or if the collaterals are not sold within a year, then the minimum disposal price is readjusted.

17) Reserve for Guarantees

Reserve for guarantees is based on the collectibility of guarantees and banker's acceptances receivables using their ending balances to estimate possible loss.

18) Default Indemnity Reserve

In compliance with regulations governing securities houses, the Company provides on a monthly basis a default indemnity reserve of 0.0028% of securities brokerage commissions until the balance of the reserve reaches \$200,000 thousands and recorded as other liabilities. Such reserve may only be used to cover default losses from securities brokerage or otherwise upon MOF approval.

19) Securities Trading Loss Reserve

In compliance with regulations governing securities houses, the Company is required to periodically provide a securities trading loss reserve at a rate of 10% of net gain on dealing in operating securities and stock warrants until the balance of the reserve reaches \$200,000 thousands. Such reserve may only be used to offset the excess of securities trading loss over gain.

20) Pension Plan

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

The net pension cost recognized each period comprises the following:

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

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

For the Company and its subsidiaries, the difference between actual pension fund contributions and the net pension fund cost is accounted for as "accrued pension liabilities" or "prepaid pension cost". The minimum pension liability is the minimum amount of pension liability that is required to be recognized on the balance sheet.

21) Treasury Stock

The Company adopted SFAS No. 30, "Accounting for Treasury Stock" to account for repurchase of its outstanding shares, carried at cost. Upon disposition, the excess of sales price over book value is recorded as

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

“capital surplus—treasury stock.” Should sales price be lower than the book value, the difference is charged against capital surplus from treasury stock in the same category, and any deficit is debited to retained earnings. The book value of treasury stock is separately computed by reasons of purchase and the weighted-average method is used.

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

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

22) Income Taxes

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

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

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

23) Foreign Currency Transactions

Non-hedging related forward exchange contracts are recorded in New Taiwan Dollars at the rates of exchange in effect when the transactions occur. According to SFAS No.14, “Accounting for Foreign Currency Transactions”, at end of each month, gain or loss resulting from settlement of foreign currency assets and liabilities at rates different from those at which these assets and liabilities are carried in the accounts are credited or charged to income. Year-end balances of foreign currency assets and liabilities are translated at the year-end foreign currency exchange rate, and the resulting gains or losses are credited or charged to current income.

24) Financial Derivatives

① Foreign Exchange Forward Contracts

Foreign-denominated assets and liabilities of foreign exchange forward contracts are recorded in New Taiwan Dollars and translated using exchange rates in effect as transactions occur. Gain or losses due to exchange rate discrepancies at maturity are included in current earnings. On the balance sheet date, unsettled positions are adjusted by the forward exchange rate of the remaining period of contracts, with differences caused thereby reflected as current exchange gain or losses.

Accounts receivables and payables from forwards offset one another on the balance sheet date, with the balance reflected as asset or liability.

② Non-Delivery Forward (NDF) Contracts

Since there is no physical transfer of principal in non-delivery forward transactions, only memo entries of notional principals are made on the contract date. On settlement, gains and losses from differences between the spot and contract rates are included in current earnings. Unsettled positions on the balance sheet date are adjusted by the forward rates for the remaining contract period, with differences reflected as exchange gains or losses.

③ Foreign Currency Swaps

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

Memo entries of notional principals are made on the contract date for foreign currency swaps. On the balance sheet date, forward accounts receivables offset payables, with the difference reflected as an asset or a liability. Interest is accrued over the duration of contracts as receivable or payable for trading swaps. Gains and losses on settlement due to differences from the prevailing rate are included in current earnings. Gains and losses of unsettled positions are computed by differences between the contract and forward rates for the remaining contract periods. Interest is accrued on non-trading currency swaps over the duration of contracts. Receivables or payables accrued and the hedged positions are reported as current interest revenue or expense.

④ Options

Only memo entries of notional principals are made on the contract date for options. Premium is reflected as other assets or other liabilities when paid or collected. Differences in the market value of premium on the balance sheet date are stated as exchange gain or loss. Gain or loss resulting from the exercising of options is recognized currently as transaction gain or loss.

⑤ Futures

Only memo entries of notional principals are made on the contract date for futures. Premium is reflected as guarantee deposits paid or guarantee deposits received when paid or collected. Differences in the market value of premium on the balance sheet date are stated as exchange gain or loss. Gain or loss resulting from the exercising of futures is recognized currently as transaction gain or loss.

⑥ Interest Rate Swaps

As no principal amounts are exchanged for interest swaps upon settlement, the transactions are recorded in the memo account on the contract dates. For interest rate swap contracts used for purposes other than trading, net interest received or paid upon each settlement, or accrued on the balance sheet date, is recorded as an adjustment to interest income or expense of the items being hedged.

⑦ Asset Swaps

The Company sells corporate bonds or options from the convertible bonds to other investors. Asset swaps do not involve ownership transfer and are recorded by memorandum entries; the interest exchange payments are recorded as a net amount and remeasured using the market price.

⑧ Financial Derivatives Assets for trading

On the balance sheet date, unsettled positions are remeasured using the marketing price. Realized or unrealized gain or loss due from changes in marketing price are recognized as current income or loss. Gain or loss due from exercising financial derivatives assets were recognized as current income or loss.

25) Regulations for Financial Asset Securitization

Under the Regulations for Financial Asset Securitization, the Bank entrusted the Auto Loan Receivables Securitization to Deutsche Bank AG, Taipei Branch for issuance of the related beneficiary certificates. Thus, the Bank had lost the rights and control over the entrustment of these loans, which were removed from the Bank's accounts, and recognized gains on this securitization, except for subordinated seller certificates for credit enhancement, which were reclassified as other long-term investments. The gain on securitization of the loans is the difference between the proceeds from the securitization and the carrying value of the loans.

The previous carrying value was allocated in proportion to the fair market value of the entrustment loans, servicing assets, and retained interests on the transfer date. The fair values of the entrustment assets, servicing assets, and retained interests were evaluated at the present value of future cash flows on the basis of the assumptions regarding credit risk rate, repayment rate, and discount rate on the loans, because the assets had no quoted market price.

The subordinated seller certificates, shown as other long-term investments, are evaluated at the present value of future cash flows on the balance sheet date, because they have no quoted market prices. The resulting losses are recorded as non-operating expenses, and losses and gains are not recorded. Interest revenues are recorded when received. Servicing assets are amortized using the straight-line method over the servicing period, and the amortization is charged to operating cost. The Bank makes provision for losses on the servicing assets and writes off the provision when the value of the assets rises.

26) Significant Accounting Policies of Futures Department

26.1 Inter-departmental account

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

A company applying for concurrent operation of futures businesses must set up receivable and payable accounts to record the dealings between the securities department and futures department.

26.2 Client Margin Account

Margins, premium, and settlement differences resulting from futures transactions are reflected under current assets.

26.3 Customers' Equity in Futures Transactions

Margins or premium received from customers, and settlement differences and are reflected under current liabilities. Different accounts from different customers cannot be offset. When a debit balance occurs, a provision is made for futures margin receivable.

26.4 Receivable — futures margin/margin deposit

Premiums paid by the Company related to futures contracts entered into for trading purposes are recognized as assets. Gains or losses as a result of marking to market value of the futures contracts as of the balance sheet dates are recognized as current income. Gains or losses arising from the settlement of the futures contracts are also recognized as current income.

26.5 Call/put option

Futures option contracts bought by the Company for trading or hedging purposes are revalued at market value at period-end.

26.6 Securities Trading Loss Reserve

In compliance with regulations governing security houses, the Company provides on a monthly basis default indemnity reserve of 2% of securities brokerage commissions until the accumulated amount reaches paid-in capital, operating funds or proprietary funds. Such reserve may only be used to cover default losses from securities brokerage or otherwise upon SFC approval. According to Ruling Letter No. 108957, for the period from July 1, 1999 to June 30, 2003, securities trading loss reserve is not required according to Article 16 of "Futures Firm Governing Rules."

26.7 Futures trading loss reserve

A company applying for concurrent operation of futures businesses must on a monthly basis set aside 10% from the realized net profit of each month as reserve for trading losses. The reserve for trading losses shall not be used for purposes other than covering the trading loss amount in excess of the trading profit amount.

When the accumulated trading loss reserve for trading losses reaches a minimum of 200 million dollars, no additional reserve for trading loss is required to be set aside.

26.8 Designated capital

A company applying for concurrent operation of futures businesses must designate operating capital for the futures department's use.

27) Recognition of Revenue

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

3. REASONS FOR AND EFFECT OF ACCOUNTING CHANGES

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

Due to the adoption of revised Statement of Financial Accounting Standards' NO 7, the subsidiaries which were below 10% of total assets or total revenues of the Company were not consolidated in 2004, but were consolidated in 2005. The 2004 financial statements weren't restated.

4. DETAILS OF SIGNIFICANT ACCOUNTS

1) CASH AND CASH EQUIVALENTS

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

	<u>December 31, 2005</u>	<u>December 31, 2004</u>
Cash on hand and Petty cash	\$ 1,528,581	1,417,401
Bank deposits		
Demand deposits	6,098,960	572,251
Checking deposits	389,373	149,978
Time deposits	1,702,264	4,210,900
Commercial paper	1,287,117	2,915,662
Checks for clearing	1,038,818	529,845
Total	\$ 12,045,113	9,796,037

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

Time deposits include over-90-day non-cash equivalents, which amounted to approximately \$0, as of December 31, 2005 and 2004.

2) DUE FROM CENTRAL BANK AND BANKS

	<u>December 31, 2005</u>	<u>December 31, 2004</u>
General account	\$ 3,141,145	5,054,538
Deposit reserve	5,448,053	5,280,728
Call loans to banks	2,693,700	2,040,341
Financial center	302,016	303,475
Total	\$ 11,584,914	12,679,082

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

3) MARKETABLE SECURITIES, NET

	<u>December 31, 2005</u>	<u>December 31, 2004</u>
Government bonds	\$ 14,486,103	9,849,793
Corporate bonds	147,969	-
Convertible overseas bonds	335,337	351,552
Financial debentures	4,207,007	214,289
Stock and beneficiary certificates	3,724,867	4,717,546
Commercial paper	2,405,460	5,130,684
Overseas stock	10,938	19,546
Collateralized debt obligation, (CDO)	947,505	159,585
Overseas bonds	752,789	-
Subtotal	27,017,975	20,442,995
Less: Allowance for market decline	-	-
Net	\$ 27,017,975	20,442,995
Total market prices	\$ 27,275,245	20,563,215

4) INVESTMENT IN REDEEMABLE BONDS

	<u>December 31, 2005</u>	<u>December 31, 2004</u>
Central Government Construction Bonds	\$ 4,517,292	10,221,688
Corporate bonds	2,358,276	6,140,428
Financial debentures	620,820	-
Total	\$ 7,496,388	16,362,116

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These bonds were made available for resale at an agreed amount of \$7,509,404 and \$16,367,401 after December 31, 2005 and 2004, respectively.

5) RECEIVABLES, NET

	<u>December 31, 2005</u>	<u>December 31, 2004</u>
Accounts receivable for credit cards	\$ 7,385,008	7,630,596
Accrued interest receivable	1,382,452	1,641,636
Accounts receivable	4,280,045	4,522,218
Other receivables	1,223,455	859,775
Notes receivable	42,655	51,446
Tax refund receivable	21,095	21,096
Forward contracts receivable	-	67,346
Receivables on premiums	3,248	2,855
Subtotal	<u>14,337,958</u>	<u>14,796,968</u>
Allowance for bad debts	<u>(196,807)</u>	<u>(391,897)</u>
Total	<u><u>\$ 14,141,151</u></u>	<u><u>14,405,071</u></u>

6) RECEIVABLES FROM SECURITIES FINANCING, NET

	<u>December 31, 2005</u>	<u>December 31, 2004</u>
Receivables from securities financing	\$ 13,638,476	13,819,849
Less: Allowance for bad debt expense	-	-
Net	<u><u>\$ 13,638,476</u></u>	<u><u>13,819,849</u></u>

7) OPERATING SECURITIES

7.1) OPERATING SECURITIES – DEALER

	<u>December 31, 2005</u>	<u>December 31, 2004</u>
Listed stocks	\$ 4,206,219	4,651,711
Over-the-counter stocks and bonds	521,205	792,429
Government bonds	6,191,192	3,694,328
Corporate bonds	4,806,281	2,364,104
Financial debentures	5,100,572	-
Emerging stocks	268,076	153,959
Subtotal	<u>21,093,545</u>	<u>11,656,531</u>
Less: Allowance for decline in value of operating securities	-	-
Net	<u><u>\$ 21,093,545</u></u>	<u><u>11,656,531</u></u>
Market value	<u><u>\$ 21,435,613</u></u>	<u><u>11,768,695</u></u>

7.2) OPERATING SECURITIES – UNDERWRITER

	<u>December 31, 2005</u>	<u>December 31, 2004</u>
Listed stocks	\$ 343,675	400,683

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

Over-the-counter stocks	65,477	246,042
Corporate bonds	286,100	433,000
Unlisted stocks and bonds	24,680	21,019
Sub-total	719,932	1,100,745
Less: Allowance for decline in value of operating securities	(51,645)	(165,788)
Net	\$ 668,287	934,957
Market value	\$ 668,287	934,957

7.3) OPERATING SECURITIES –WARRANTS

	<u>December 31, 2005</u>	<u>December 31, 2004</u>
Listed stocks	\$ 9,116	93
	<u>December 31, 2005</u>	<u>December 31, 2004</u>
Less: Allowance for decline in value of operating securities	-	-
Net	\$ 9,116	93
Market value	\$ 19,113	93

7.4) OPERATING SECURITIES –HEDGING

	<u>December 31, 2005</u>	<u>December 31, 2004</u>
Listed stocks	\$ 467,877	19,063
Less: Allowance for decline in value of operating securities	(2,531)	-
Net	\$ 465,346	19,063
Market value	\$ 485,652	19,288

8) OTHER FINANCIAL ASSETS

	<u>December 31, 2005</u>			<u>December 31, 2004</u>		
			NT Dollars			NT Dollars
Customer margin accounts						
Bank deposits	USD	346,798.85	\$ 11,392	USD	1,334,717.40	42,324
	JPY	10,315,166.89	2,884	JPY	30,792,202.00	9,524
	GBP	15,319.07	869	GBP	2,941.98	180
	HKD	46,328.25	196	HKD	-	-
	NTD		467,780	NTD		4,074,769
			483,121			4,126,797
Futures settlement institution remaining balance	NTD		1,629,627	NTD		1,529,263
Other settlement remaining balance	USD	1,009,467.15	33,161	USD	566,446.92	17,962
	JPY	16,445,190.00	4,598	JPY	55,464,023.00	17,155
	GBP	29,414.89	1,669	GBP	1,437.58	88
	HKD	285,877.82	1,212	EUR	6,530.00	282
	NTD		-	NTD		5,001

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

	<u>40,640</u>	<u>40,488</u>
Subtotal	<u>2,153,388</u>	<u>5,696,548</u>
Decline in value of default indemnity	-	47
Allowance for decline in value of default indemnity	<u>-</u>	<u>(47)</u>
	<u>-</u>	<u>-</u>
Margin deposit Receivable	-	670
Call options - speculation	<u>69,585</u>	<u>33,271</u>
Total	<u>\$ 2,222,973</u>	<u>5,730,489</u>

Note:

Bank deposits: Customer margin accounts opened in various banks for margin deposits.

Futures settlement institution remaining balance: The remaining balance after futures firms with settlement status transfer margins to settlement institutions.

Other settlement remaining balance: The remaining balance after futures firms without settlement status transfer margins to settlement institutions.

On December 31, 2005 and 2004, customer margin accounts amounted and customers' equity in futures transactions amounted. The difference is due to customer margin accounts transferred to brokerage commission income and futures transaction tax.

9) DISCOUNTED BILLS AND LOANS, NET

	<u>December 31, 2005</u>	<u>December 31, 2004</u>
Discounted bills	\$ 135,387	163,233
Bills and notes discounted	-	17,548
Overdrafts	17,276	21,141
Loans	<u>191,553,423</u>	<u>178,104,835</u>
Subtotal	191,706,086	178,306,757
Allowance for bad debts	<u>(419,540)</u>	<u>(399,128)</u>
Net	<u>\$ 191,286,546</u>	<u>177,907,629</u>

(1)As of December 31, 2005 and 2004, the ratio of the Bank's equity capital to risk-based assets was 8.65% and 10.06%, respectively, and there was no trust debt that had not undergone the collection process before being written-off.

(2)As of December 31, 2005 and 2004, the balance of bad debt allowance on loans and advances amounted to \$3,194,103 and \$2,429,448, respectively, and the related increase and decrease were as follows:

Item	Beginning balance	Increase	Increase from purchase of the assets and liabilities of Taiwan Development Co.,Ltd.	Reclassifi-cation	Amount Written off	Adjustment for exchange rate fluctuation	Ending balance
2005							
Allowance for bad debts - account receivables	\$ 371,930	1,180,850	-	(68,000)	(1,292,780)	-	192,000
Allowance for bad debts - other receivables	165	5,758	4,300	-	(10,129)	15	109
Allowance for bad debts - bills and discounts	18,089	-	-	-	-	2	18,091

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

Allowance for bad debts - short-term loans and overdrafts	93,736	3,961	-	-	(3,961)	52	93,788
Allowance for bad debts - short-term secured loans and overdrafts	1,360	-	-	-	-	-	1,360
Allowance for bad debts - medium-term loans	196,748	-	600	-	-	1,158	198,506
Allowance for bad debts - medium-term secured loans	6,418	-	-	-	-	-	6,418
Allowance for bad debts - long-term loans	16,343	-	400	-	-	-	16,743
Allowance for bad debts - long-term secured loans	66,434	-	18,200	-	-	-	84,634
Allowance for bad debts - overdue receivables	1,653,969	4,592,169	-	68,000	(3,735,951)	-	2,578,187
Allowance for guarantee reserve	4,256	-	-	-	-	11	4,267
Total	\$ 2,429,448	5,782,738	23,500	-	(5,042,821)	1,238	3,194,103

Item	Beginning balance	Increase	Reclassification	Amount Written-off	Adjustment for exchange rate fluctuation	Ending Balance
2004						
Allowance for bad debts - account receivables	\$ 404,998	526,786	(52,635)	(507,219)	-	371,930
Allowance for bad debts - other receivables	275,637	(273,832)	2,000	(3,608)	(32)	165
Allowance for bad debts-bills and discounts	18,093	-	-	-	(4)	18,089
Allowance for bad debts - short-term loans and overdrafts	93,849	-	-	-	(113)	93,736
Allowance for bad debts - short-term secured loans and overdrafts	1,360	-	-	-	-	1,360
Allowance for bad debts - medium-term loans	199,306	-	515	-	(3,073)	196,748
Allowance for bad debts - medium-term secured loans	6,418	-	-	-	-	6,418
Allowance for bad debts - long-term loans	16,343	-	-	-	-	16,343
Allowance for bad debts - long-term secured loans	66,434	-	-	-	-	66,434
Allowance for bad debts - overdue receivables	1,281,331	1,385,074	60,120	(1,073,071)	515	1,653,969
Allowance for guarantee reserve	14,281	-	(10,000)	-	(25)	4,256
Total	\$ 2,378,050	1,638,028	-	(1,583,898)	(2,732)	2,429,448

(3) The Bank's overdue receivables refer to various loans and other credit amounts that have been reclassified to the "overdue receivables" account. Loans that have been overdue for six months from the repayment due should be reclassified to the "overdue receivables" account. For loans that have been reclassified to the "overdue receivables" account, the interest calculation is discontinued for internal purposes, but continues for external purposes. In addition, the interest accrual should be noted in each sub-account or as a memo entry. The accrued interest on overdue loans prior to reclassification into the "overdue receivables" account is combined with the principal amount and transferred to the "overdue receivables" account. As of December 31, 2005 and 2004, such loans and advances with discontinued interest accrual thereon amounted to \$3,154,240 and \$6,287,959, respectively.

(4) As of December 31, 2005 and 2004, the unsacred interest revenue on loans and advances with overdue interest and principal amounted to \$316,409 and \$965,674, respectively.

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

10) LONG-TERM EQUITY INVESTMENTS

<u>Invested company</u>	<u>December 31, 2005</u>		<u>December 31, 2004</u>	
	<u>Ownership %</u>	<u>Amount</u>	<u>Ownership %</u>	<u>Amount</u>
<u>Accounted for by equity method</u>				
Jih Sun International Investment Holding Company Limited (Original investment cost \$1,795,250 thousands (US\$54,600 thousands))		\$ -	100.00	1,485,053
Jih Sun Securities Investment Consulting Co., Ltd. (Original investment cost \$173,600 thousands)	-	-	100.00	73,595
Jih Sun Futures Management Co., Ltd. (Original investment cost \$200,000 thousands)	-	-	100.00	189,661
Formosa Life Insurance Agent Co., Ltd. (Original investment cost \$1,980 thousands)	-	-	99.00	61,340
Jih Sun Product Insurance Agent Co., Ltd. (Original investment cost \$3,000 thousands)	-	-	100.00	1,741
Subtotal		<u>\$ -</u>		<u>1,811,390</u>
<u>Accounted for by cost method</u>				
Taiwan Stock Exchange Corporation	2.93	586,067	3.00	586,067
Taiwan Securities Central Depository Co., Ltd.	1.58	19,434	1.58	19,434
Fu Bon Securities Finance Co., Ltd.	4.88	184,492	4.88	184,492
Global Securities Finance Corporation	0.88	57,832	0.88	57,832
En Tie Securities Finance Co., Ltd.	0.24	12,444	0.24	12,444
Taiwan Futures Exchange Co., Ltd.	4.40	88,148	4.40	88,157
Top Taiwan III Venture Capital Co., Ltd.	10.00	100,000	10.00	100,000
Taipei Forex Inc.	0.40	800	0.40	800
Dah Chung Bills Finance Co., Ltd.	7.51	268,644	7.23	268,644
D.C. International Co., Ltd.	2.41	70,000	2.41	70,000
Hanrung Venture Capital Investment Co., Ltd.	4.72	8,525	4.72	15,500
Win-talus Venture Capital Co., Ltd.	4.00	20,000	4.00	20,000
Concord IV Venture Capital Co., Ltd.	4.63	75,000	4.93	75,000
Financial Information Service Co., Ltd.	1.17	46,890	1.17	46,890
Super Tech Venture Capital Co., Ltd.	4.98	23,250	4.98	25,000
First Bio Venture Capital Co., Ltd.	3.50	14,000	3.50	14,000
Financial Assets Service Co., Ltd.	2.94	50,000	2.94	50,000
Taiwan Cooperative Bank	-	504	-	504
Jih Sun Securities Investment Trust Co., Ltd.	10.00	74,880	10.00	74,880
Parawin Venture Capital Corp.	6.00	60,000	6.00	60,000
Cotillion III Venture Capital Corp.	10.00	50,000	10.00	50,000
PK III Venture Corp	9.29	65,000	9.29	65,000
Jih Sun Venture Capital Investment Co., Ltd.	5.00	29,520	5.00	29,520
Taiwan Integrated Shareholder Service Company	2.77	8,300	-	-
Hui Yang Venture Capital Group	7.50	150,000	-	-
Taiwan High Speed Railway Co., Ltd.	-	486,000	-	-
TANOX CORP.	-	2,015	-	-
CAPRION CORP.	-	283	-	-
JSA Venture Capital Corp.	19.17	53,111	-	-
Subtotal		<u>2,605,139</u>		<u>1,914,164</u>

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

Long-term bond investments

Government and corporate bonds 1,877,496 1,887,087

Other long-term investments

Subordinated trust certificate 478,796 478,796

Total \$ 4,961,431 6,091,437

- (1) The Company uses the equity method to account for its investments in Jih Sun International Investment Holding Company Limited, Jih Sun Futures Co., Ltd., Jih Sun Securities Investment Consulting Co., Ltd., and Jih Sun Futures Management Co., Ltd. Investment gain or loss recognized during the years ended December 31, 2005 and 2004, was based on the financial statements audited by the invested companies' independent accountants with an unqualified opinion, along with cumulative translation adjustments listed as follows:

	2005		2004	
	Investment gain (loss)	Cumulative translation adjustment	Investment gain (loss)	Cumulative translation adjustment
Jih Sun International Investment	\$ -	-	-	(107,084)
Jih Sun Securities Investment Consulting Co., Ltd.	-	-	(15,001)	-
Jih Sun Futures management Co., Ltd.	-	-	(10,378)	-
Formosa Life Insurance Agent Co., Ltd.	-	-	55,947	-
Jih Sun Product Insurance Agent Co., Ltd.	-	-	(1,259)	-
	<u>\$ -</u>	<u>-</u>	<u>29,309</u>	<u>(107,084)</u>

- (2) As of December 31, 2004, the Bank recognized \$5,204 as loss on long-term equity investment in Pacific Resources Co., Ltd. because its market value declines below carrying value and such decline was considered other than temporary. The Bank sold its entire equity in the third quarter of 2004.
- (3) As of December 31, 2005, the Bank wrote off the cost of its investment in Hanrung Venture Capital Investment Co., Ltd. of \$6,975 because the said investee proceeded to decrease its capital and return the money to its shareholders.
- (4) As of December 31, 2005, the Bank wrote off the cost of its investment in Super Tech Venture Capital Co., Ltd. of \$1,750 because the said investee proceeded to decrease its capital and return the money to its shareholders.
- (5) As of December 31, 2004, the Bank wrote off the cost of its investment in Fubon Securities Finance Co., Ltd. of \$66,889 because the said investee proceeded to decrease its capital and return the money to its shareholders.
- (6) The Bank received cash dividends amounting to \$46,494 and \$45,192 for 2005 and 2004, respectively.
- (7) Fu Bon Securities Finance Co., Ltd. which is the Company's investor company under cost method approved Feb. 25, 2004 as the effective date for capital decreasing, in the proportion of every 1,000 shares transferring to 634,921 shares. The cash distribution from capital decreasing received by the Company was amount to \$45,348.
- (8) For integrating the domain of business undertaking, the Company purchases 3,000,000 shares of Jih Sun Venture Capital Corp., amounted to \$29,520, ownership 5%, and evaluate under cost method in June 2004.
- (9) During January and May 2005, to promote the development of business, the Company purchased 830,000 shares of Taiwan Integrated Shareholders Service Company by \$8,300 for 2.77% ownership and 15,000,000 shares of Hui-yang Venture Capital Group by \$150,000 for 7.50% ownership and both evaluated under the cost method.
- (10) Financial Asset Securitization
- A. In September 2004, the \$3,754,779 carrying value of the Auto Loan Receivables Securitization was entrusted by the Bank to Deutsche Bank AG, Taipei Branch for issuance of beneficiary certificates of \$4,514,205, which consisted of
- Investor certificates of \$4,035,409, with interest paid in accordance with the contract;
 - Subordinated seller certificates of \$478,796, at a fixed rate of 5%.

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

The holder of the subordinated seller certificates of \$478,796 has the right to interest in excess of the fixed amount paid to the investors. If debtors fail to repay the entrusted loans, investors or Deutsche Bank AG, Taipei Branch has no right of recourse to the Bank. The repayment of the principal of subordinated seller certificates will be executed behind the investor certificates and is affected by credit risk, repayment rate, and changes in interest rate on those transferred loans.

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

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

B. Key assumptions used in measuring retained interest

Key economic assumptions used in measuring the retained interest on the securitization date resulting from the completion of securitization during the year were as follows:

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

C. Sensitivity analysis

As of December 31, 2005, key economic assumptions and the sensitivity of the current fair value of residual cash flows to 10 percent and 20 percent adverse changes in these assumptions were as follows (in New Taiwan dollars):

Carrying amount of retained interest	\$ 739,116
Weighted-average life (in years)	2.20
Prepayment rate (monthly rate)	1.02 %
Impact on fair value of 10% adverse change	(397)
Impact on fair value of 20% adverse change	(753)
Expected credit losses (annual rate)	0.04 %
Impact on fair value of 10% adverse change	(928)
Impact on fair value of 20% adverse change	(1,852)
Discounted rate for residual cash flows	5.24 %
Compensation rate of Change	0 %

D. The cash flows received from and paid to securitization trusts are summarized as follows (in New Taiwan dollars):

	<u>December 31, 2005</u>	<u>December 31, 2004</u>
Received from securitization	\$ -	3,761,711
Service profit	16,876	-
Reserved right of cash flow	45,452	-
Prepayment of service	(3,146)	-
Received prepayment of service	2,689	-

E. Information on delinquencies, net credit losses, and un-securitized financial assets (in New Taiwan dollars):

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

Type of Loan	December 31, 2005		
	Total Principal of Loans	Principal of Loans 60 Days or More Past Due	Net Credit Losses
Auto loans managed or securitized	\$ 23,302,900	357,328	-
Less: Loans securitized	(1,157,742)		
Loans held for sale or securitization	(739,116)		
Loans held in portfolio	<u>\$ 21,406,042</u>		

Type of Loan	December 31, 2004		
	Total Principal of Loans	Principal of Loans 60 Days or More Past Due	Net Credit Losses
Auto loans managed or securitized	\$ 18,110,686	187,189	-
Less: Loans securitized	(3,029,589)		
Loans held for sale or securitization	(766,719)		
Loans held in portfolio	<u>\$ 14,314,378</u>		

F. In the years ended December 31 2005 and 2004, the carrying value of loans held for securitization amounting \$739,116 and \$766,719 were securitized by the Bank with Deutsche Bank AG, Taipei Branch.

11) PROPERTIES AND EQUIPMENT

December 31, 2005	Cost	Accumulated Depreciation	Net
Land	\$ 3,855,619	-	3,855,619
Buildings	3,205,792	661,013	2,544,779
Other equipment	2,238,247	1,340,484	897,763
Unfinished construction	4,351	-	4,351
Prepayment for equipment	82,933	-	82,933
Leasehold improvements	830,164	478,662	351,502
Total	<u>\$ 10,217,106</u>	<u>2,480,159</u>	<u>7,736,947</u>

December 31, 2004	Cost	Accumulated Depreciation	Net
Land	\$ 3,576,900	-	3,576,900
Buildings	2,742,482	512,975	2,229,507
Other equipment	2,169,935	1,207,204	962,731
Unfinished construction	16,293	-	16,293
Prepayment for equipment	82,973	-	82,973
Leasehold improvements	759,178	389,178	370,000
Total	<u>\$ 9,347,761</u>	<u>2,109,357</u>	<u>7,238,404</u>

As of December 31, 2005 and 2004, the total insurance coverage for property and equipment amounted to approximately \$4,691,085 and \$4,504,894, respectively.

12) OTHER FINANCIAL ASSETS AND OTHER ASSETS

	December 31, 2005	December 31, 2004
Delinquent loans	\$ 3,613,132	7,201,532
Allowance for bad debts	(2,589,936)	(1,653,969)

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

Net	\$ 1,023,196	5,547,563
Deferred loss on disposal of non-performing loans	\$ 11,621,017	9,151,164

In 2005, 2004 and 2002, the Bank sold non-performing loans amounting to \$7,027,657, \$5,697,374 and \$7,215,208, respectively, to an asset management company for \$1,582,588, \$414,978 and \$446,509, respectively. The resulting loss was \$9,902, \$5,282,396 and \$6,768,699, respectively. In accordance with Article 15, Section 5 of the Law Governing Merger of Financial Institutions, the Bank amortized the loss equally over 60 months, with the unamortized balance reflected as deferred expenses. Amortization for the years 2005 and 2004 amounted to \$2,975,217 and \$1,433,378, respectively. If the loss on non-performing loans were recognized currently, deferred assets would be decreased by \$11,621,017 and \$9,151,164 as of December 31, 2005 and 2004, respectively. Net income would be decreased by \$2,469,853 and \$3,849,018, respectively for the years then ended. In accordance with the Financial Holding Company Law, if the Bank files its tax returns as a financial holding company, the loss on disposal of non-performing loans would have an effect on accumulated earnings of \$11,621,017 and \$9,151,164, respectively. The disposal of non-performing loans would have a tax effect on net income of \$2,469,853 and \$3,849,018, respectively.

13) SHORT-TERM LIABILITIES

Nature of the loan	Amount	Interest rate	Credit line	Pledged assets
December 31, 2005				
Credit loans	\$ 1,950,000	1.45%~1.87%	2,450,000	-
Mortgage loans	2,190,000	1.40~1.70%	4,900,000	Operating securities and time deposits
Total	\$ 4,140,000			
December 31, 2004				
Credit loans	\$ 1,985,000	1.15%~4.078%	3,800,000	-
Mortgage loans	2,303,000	1.15%~4.078%	7,550,000	Operating securities and time deposits
Total	\$ 4,288,000			

14) COMMERCIAL PAPER PAYABLE, NET

	December 31, 2005	December 31, 2004
Commercial paper payable	\$ 1,230,000	4,513,000
Less: Unamortized discount	(10,912)	(4,385)
Net	\$ 1,219,088	4,508,615

The issuance period for commercial paper payable is within 365 days. The annual interest rates ranged from 1.03% to 1.34% and 0.67% to 1.33% during the years ended December 31, 2005 and 2004, respectively.

15) LIABILITIES OF BONDS WITH REPURCHASE AGREEMENTS DUE TO BANKS

	December 31, 2005	December 31, 2004
Central government construction bonds	\$ 17,499,109	14,852,892
Central government heavy transportation construction bonds	-	607,019
Corporate bonds	5,054,233	2,478,485
Financial debentures	5,745,077	-
Total	\$ 28,298,419	17,938,396

Based on the repurchase agreements, after December 31, 2005 and 2004, the Company is obliged to repurchase the above bonds at the sales price plus a mark-up of \$28,343,084 and \$17,950,666, respectively.

16) DUE TO BANKS

	December 31, 2005	December 31, 2004
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JHSUN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

Deposits from banks	\$	6,305,130	6,723,918
Loan financing from banks		-	23,346
Call loans from banks		9,556,003	7,777,283
Total	\$	15,861,133	14,524,547

17) OTHER PAYABLES

	<u>December 31, 2005</u>	<u>December 31, 2004</u>
Accounts payable	\$ 4,067,510	2,382,531
Interest payable	1,132,113	896,026
Other payables	400,794	606,644
Checks awaiting clearance	1,038,818	529,845
Collection payable	79,097	51,992
Accrued expenses	611,596	1,364,463
Forward payable	25,826	-
Income tax payable	8,407	764,373
Notes payable	24,730	22,829
Total	\$ 7,388,891	6,618,703

18) LIABILITIES FOR STOCK WARRANTS ISSUED

December 31, 2005

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

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

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19) REPURCHASED STOCK WARRANTS OTHER PAYABLES

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

20) CUSTOMERS' EQUITY IN FUTURES TRANSACTIONS

December 31, 2005			December 31, 2004		
	NT Dollars			NT Dollars	
USD	1,432,562.62	\$ 47,060	USD	1,888,355.08	\$ 59,880
JPY	26,623,555.00	7,444	JPY	85,907,193.00	26,571
GBP	44,731.29	2,537	EUR	6,530.00	282
HKD	328,959.77	1,395	GBP	4,379.56	268
NTD		5,005,283	NTD		5,596,043
Total		\$ 5,063,719	Total		\$ 5,683,044

21) CUSTOMER DEPOSITS

	December 31, 2005	December 31, 2004
Checking deposits	\$ 1,185,296	1,177,455
Bank checks	104,488	1,183,644
Demand deposits	15,392,974	19,991,325
Time deposits	58,048,928	66,679,129
Savings deposits	131,735,600	116,169,884
Post Office deposits	14,940,640	14,510,491
Outward remittance and remittance pending release	-	272
Total	\$ 221,407,926	219,712,200

As of December 31, 2005 and 2004, transferable certificates of deposit amounted to \$8,720,800 and \$13,126,800,

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

respectively.

22) FINANCIAL DEBENTURES

	December 31, 2005	December 31, 2004
Financial debentures	\$ 11,000,000	9,000,000
Less: Amortization of discount	-	-
Net	\$ 11,000,000	9,000,000

- (1) On September 25, 2002, the Bank issued senior financial debentures totaling \$5,000,000, respectively. Terms and conditions of the issuance are as follows:
- ① Issue price: Issue at face value.
 - ② Issue period: From September 25, 2002, to September 25, 2007.
 - ③ Interest rate: Fixed rate of 3.975%.
 - ④ Interest accrual: Annual interest payments.
 - ⑤ Repayment of principal: Full repayment of principal at maturity.
- (2) On October 25, 2004, the Bank issued senior financial debentures totaling \$4,000,000, respectively. Terms and conditions of the issuance are as follows:
- ① Issue price: Issue at face value.
 - ② Issue period: From October 25, 2004, to April 25, 2010.
 - ③ Interest rate: Fixed rate of 3.95%.
 - ④ Interest accrual: Annual interest payments.
 - ⑤ Repayment of principal: Full repayment of principal at maturity.
- (3) On July 5, 2005, the Bank issued senior financial debentures totaling \$2,000,000, respectively. Terms and conditions of the issuance are as follows:
- ① Issue price: Issue at face value.
 - ② Issue period: From July 5, 2005, to July 5, 2012.
 - ③ Interest rate: Fixed rate of 2.93%.
 - ④ Interest accrual: Annual interest payments.
 - ⑤ Repayment of principal: Full repayment of principal at maturity.

23) BONDS PAYABLE

Nature	Trustee and Certification Institution	Period	December 31, 2005	December 31, 2004	Pledged Assets
Secured Bonds	Cathay United Bank	2004.11.25~2009.11.25	\$ 500,000	500,000	Land and building
Secured Bonds	Cathay United Bank	2004.11.26~2009.11.26	500,000	500,000	Land and building
Unsecured Convertible Bonds	-	2005.03.28~2010.03.27	6,000,000	-	None
Unsecured Subordinate Bonds	-	2005.12.14~2012.12.14	2,000,000	-	None
Total			\$ 9,000,000	1,000,000	

- (1) On Sep. 20, 2004, the Securities' Board of directors approved the first local secured bonds of \$1,000,000, and received approval of Financial Supervisory Commission, Executive Yuan on November 18, 2004, the main purpose of the issuance is increase the working capital and enlance the financial structure. For the difference issuing terms and maturity date, the corporate bonds issued was distinguished into A bonds and B bonds, par value of \$10,000 per unit, totally 100 units was issued, annual interest rate would be paid 2.65%, a 5 years period and issued on par value. Form the issuing date, the interest once a year, the principal would be due and repay by the 5-year end.
- (2) On December 14, 2005, the Company issued unsecured Subordinate Bond amounting to \$2,000,000 with

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

interest rate 3.3% at par value. Interest would be payable annually in the next seven years. The principal would be due and repay on the December 14, 2012. If the consolidated capital adequacy is lower than the minimum required capital adequacy due to paying interest or repay the bonds, the Company will not pay interest and repay the bonds until the consolidated capital adequacy is over the minimum required capital adequacy.

(3) On March 28, 2005, the Company issued credit enhanced zero upon convertible bonds amounting to \$6,000,000 at par value due in March 27, 2010. The terms of issuance are as follows:

a) Conversion period and conversion price:

The bondholders may, from one month after the issue date to ten days prior to the maturity date, convert the bonds into the Company's common stocks. The conversion price at the pricing date was NT\$10.9 per share. The conversion price will be adjusted due to changes in common stocks. As of December 31, 2005, the adjusted conversion price is NT\$8.8 per share.

b) Redemption at the option of the Company:

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

c) Redemption at the option of the bondholders:

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

24) LONG-TERM BORROWINGS

Creditor	Period	Credit line	December 31, 2005	December 31, 2004	Note
<u>Commercial Paper Payable</u>					
Industrial Bank of Taiwan (Arranger), etc.	2004.02.11~2007.02.11	\$2,000,000	\$ -	700,000	In the period of the contracts and revolving credit (Note1)
Taishin Bills Finance Corp.	2004.01.05~2007.07.08	2,000,000	2,000,000	2,000,000	Revolving credit (Note2)
Ciao Tung Bank (Guaranty Bank), etc.	2004.03.03~2007.03.03	1,500,000	-	590,000	
Ciao Tung Bank	2004.03.03~2007.03.03	300,000	-	240,000	Revolving credit
Subtotal			2,000,000	3,530,000	
Less: Unamortized discount			(7,120)	(11,495)	
Net			<u>1,992,880</u>	<u>3,518,505</u>	
<u>Long-term Debt</u>					
Industrial Bank of Taiwan (Arranger), etc.	2004.09.09~2007.02.11	1,000,000	-	600,000	In the period of the contracts and revolving credit (Note1)
Total			<u>\$ 1,992,880</u>	<u>4,118,505</u>	
Pledged assets :					
Time deposits pledged			<u>\$ -</u>	<u>306,000</u>	

Note1: In the period of Securities' contracts, the current ratio (current assets divide by current liabilities) is not less than 100%, liability ratio (total liabilities divide by net recognized assets) is less than 300%, and the amounts of net recognized assets are not less \$15,000,000 thousands.

Note2: In the period of Mega Financial Holding Company's syndication, the Securities' total liabilities shall not exceed 4 times of net assets and the total amounts of current liabilities shall not exceed the total amounts

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

of current assets.

Note3: The long-term liabilities' annual interest rates ranged from 2.369% to 2.573% and 1.042% to 2.122% during the years 2005 and 2004, respectively.

25) APPROPRIATED LOAN FUND

	<u>December 31, 2005</u>	<u>December 31, 2004</u>
Appropriated loan fund	\$ 87,300	162,570

The Bank is one of the members of the syndicated loan for the Taipei Financial Center Corp and Hoping Industrial Port Co. As of December 31, 2005 and 2004, the above-stated appropriated loan fund has received financing from the Executive Yuan's Development Fund and MOEA industrial Development and Management Fund.

26) RESERVE FOR LAND REVALUATION INCREMENT TAX

	<u>December 31, 2005</u>	<u>December 31, 2004</u>
Reserve for land revaluation increment tax	\$ 59,430	43,641

On August 28, 1991, the Company merged with Young Lin Securities Co., Pan Chiao Securities Co., Jih Chung Securities Co., and Chia Yi Securities Co. In merging, the Company assumed the assets, liabilities, and related rights and obligations of the four merged companies and reserve for land value incremental tax of \$18,174 in accordance with Article 13 of the Statute for Upgrading Industries. In addition, as a result of the merger with Young Lin Securities Co., the reserve for land value incremental tax payable of \$7,857 was transferred from capital surplus, as approved by the Kaohsiung Government. Furthermore, the Chia Yi Branch sold land on February 14, 1994, resulting in land value incremental tax payable of \$266. Further, due to merger with To-Fen Securities Co., Ltd. In 2002, the Company merged with Toufen Securities Co., Ltd. and assumed all its assets and liabilities and relevant rights and obligations. Meanwhile, the Company reserved \$3,105 for land value incremental tax. As of December 31, 2005 and 2004, the total land value incremental tax payable amounted to \$28,870.

On December 20, 2002 and August 6, 2005, the Bank merged with The Cooperative Trust of Hsing Ying and Trust Department of Taiwan Development Corporation. [Because if this merger](#), the Bank acquired the rights and obligations related to all assets and liabilities originally belonging to The Cooperative Trust of Hsing Ying. Pursuant to Article 17, Section 1, Rule 3 of the Law Governing Merger of Financial Institutions, the unpaid land revaluation increment tax, resulted from the merge amounted to \$14,771 and \$15,789 as of December 31, 2005.

27) SECURITIES BROKERAGE DEBIT (CREDIT) ACCOUNTS – NET

	<u>December 31, 2005</u>	<u>December 31, 2004</u>
SECURITIES BROKERAGE DEBIT ACCOUNTS		
Cash in bank – settlement amount	\$ 135,342	14,753
Receivable price of securities purchased for customers	8,475,848	3,629,931
Receivable accounts for settlement	2,970,345	1,625,180
Settlement price	489,837	897,930
Subtotal	12,071,372	6,167,794
SECURITIES BROKERAGE CREDIT ACCOUNTS		
Price payable of securities sold for customers	8,393,550	4,352,608
Settlement accounts payable	3,600,676	1,772,337
Subtotal	11,994,226	6,124,945
Net	\$ 77,146	42,849

28) PENSION PLAN

- (1) After the Company was established, several company employees also held positions in various subsidiaries. Since the subsidiaries have different pension plan calculations, therefore the Company has no applicable pension plan calculations.
- (2.1) The securities had a retirement plan covering all regular employees with contributions from both employer and employees. Monthly pension contributions amounting to 3% of total employee gross salaries were deposited in a designated pension fund bank account independently administered by the Pension Fund Administrative Committee. This retirement plan remained applicable until adoption of the Labor Standards

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Law, which was enacted on March 1, 1998. Effective March 1998, the Company makes monthly pension contributions at 2.8% of employee gross salaries monthly (managers' contribution ratio is 4%) to a designated pension fund account with the Central Trust of China.

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

- (2.2) The Bank has a contributory retirement plan covering all regular employees. Effective from May 1, 1997, the Bank was governed by the Labor Standards Law and revised its plan to comply with the requirements under this law. However, the employer contributions under the previous employee pension plan will remain payable to qualified employees under the plan.

Under the previous employee pension plan, the Bank's monthly pension contributions ranged from 4% to 8.5% of total monthly salaries based upon the employee classification. The employee contribution to the plan amounted to 3% of total monthly salaries paid regardless of employee classification. According to the plan, upon retirement, the employee would be paid the employee's total contribution and related earnings, in addition to the employer's total contribution and related earnings paid directly from the Bank's designated retirement fund account to the employee.

Upon adoption of the Labor Standards Law, the Bank refunded the employee contribution under the previous pension plan to its employees in full, and changed its monthly pension contribution to 3.79% of total monthly salaries paid. The employee pension payments under the Labor Standards Law are computed on the basis of 2 units for each of the first 15 years of service, and 1 unit for each year thereafter, up to a maximum of 45 units. Any fraction of a year less than 6 months is counted as half a year and any fraction equal to or more than 6 months is counted as one year of service. Each unit of retirement payment is equal to the average monthly salary at the time of approved retirement.

- (2.3) Effective March 1, 1998, the Futures adopted SFAS No. 18, "Accounting for Pensions", to account for pension plans, and unrecognized transitional net assets or net benefit obligations are calculated for previous pension plans. According to Ministry of Finance Ruling Letter No. (6) 00142 dated January 20, 1995, effective 1996, unrecognized transitional net assets or net benefit obligations could be amortized by the straight-line method over the remaining service years of qualified employees under the pension plan and recorded as net pension cost. 15 years will be used if the remaining years of service are shorter.

Effective from March 1, 1998, the Company was governed by the Labor Standards Law; the pension plans enacted prior to the adoption of the Labor Standards Law still follow previous regulations.

- (2.4) Effective from November 17, 1998, Jih Sun Securities Investment Consulting Co., Ltd. was governed by the Labor Standards Law, and there are no pension plans enacted prior to the adoption of the Labor Standards Law.

- (3) The Company adopted the SFAS No. 18, "Accounting for Pensions" to compute pension related assets and liabilities using December 31, 2005 and 2004 as the measurement date. According to the actuarial report presented on December 31, 2005, the estimated funding rate is lower than actual funding rate and the retirement plan assets exceed accumulated pension obligation.

- (4) In the years 2005 and 2004, the related changes of the Company and its subsidiaries' pension fund were as follows:

	<u>2005</u>	<u>2004</u>
Beginning balance	\$ 113,055	116,141
Plus: Interest	1,812	1,716
Less: Current year's payments	<u>(7,111)</u>	<u>(4,802)</u>
Fund balance	<u>\$ 107,756</u>	<u>113,055</u>

- (5) The related changes of the Company and its Subsidiaries' pension fund contributions were as follows:

	<u>2005</u>	<u>2004</u>
Beginning balance	\$ 278,174	228,943
Add: Effect of consolidation of subsidiaries initially	25,750	-

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Payable, beginning of the period	6,338	97
Contributions	56,862	46,578
Interest	19,805	2,962
Less: Payable, end of the period	-	(406)
Current year's payments	(4,819)	-
Fund balance	<u><u>\$ 382,110</u></u>	<u><u>278,174</u></u>

(6) Effective April 15, 2001 pension fund of the Bank was reflected as part of pension fund assets. As of December 31, 2005 and 2004, pension fund amounted to \$146,459 and \$143,973, respectively.

(7) For the years ended December 31, 2005 and 2004, the components of net pension costs were as follows:

	<u>2005</u>	<u>2004</u>
Service cost	\$ 52,716	64,262
Interest cost	14,117	10,015
Projected return on pension plan assets	(9,600)	(10,821)
Amortization and deferral	(862)	(4,528)
Gain on curtailment and settlement	(1,613)	-
Net periodic pension cost	<u><u>\$ 54,758</u></u>	<u><u>58,928</u></u>

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

	<u>2005</u>				
	<u>The Company</u>	<u>Securities</u>	<u>Futures</u>	<u>Bank</u>	<u>Consulting</u>
Discount rate	3.50%	3.50%	3.00%	3.50%	3.50%
Future salary increase rate	3.00%	3.00%	1.00%	3.00%	3.00%
Projected long-term rate of return on pension plan assets	2.50%	2.50%	3.00%	2.50%	2.50%
	<u>2004</u>				
	<u>The Company</u>	<u>Securities</u>	<u>Futures</u>	<u>Bank</u>	
Discount rate	3.50%	3.50%	2.50%	3.50%	
Future salary increase rate	2.00%	2.00%	0.50%	2.00%	
Projected long-term rate of return on pension plan assets	2.50%	2.50%	2.50%	2.50%	

	<u>December 31, 2005</u>				
	<u>The company</u>	<u>Securities</u>	<u>Futures</u>	<u>Bank</u>	<u>Consulting</u>
Benefit obligation					
Vested benefit obligation	\$ 1,374	9,449	-	499	-
Non-vested benefit obligation	<u>20,666</u>	<u>202,137</u>	<u>7,146</u>	<u>90,105</u>	<u>(232)</u>
Accumulated benefit obligation	22,040	211,586	7,146	90,604	(232)
Effect from future salary increase	<u>8,757</u>	<u>116,428</u>	<u>1,338</u>	<u>55,790</u>	<u>(172)</u>
Projected benefit obligation	30,797	328,014	8,484	146,394	(404)
Fair value of pension fund assets	<u>(1,143)</u>	<u>(153,860)</u>	<u>(8,661)</u>	<u>(297,351)</u>	<u>752</u>

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Funding status	29,654	174,154	(177)	(150,957)	348
Unrecognized net transitional assets (obligation)	(1,773)	-	-	12,167	-
Unrecognized pension (loss) income	(25,975)	(107,715)	867	38,680	(426)
Recognized accrued pension liabilities	18,991	-	-	-	-
Accrued pension liabilities (Prepaid Pension)	<u>\$ 20,897</u>	<u>66,439</u>	<u>690</u>	<u>(100,110)</u>	<u>(78)</u>
Deferred Pension cost	<u>\$ 1,773</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net loss not recognized as pension cost	<u>\$ 17,218</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

	<u>December 31, 2004</u>			
	<u>The company</u>	<u>Securities</u>	<u>Futures</u>	<u>Bank</u>
Benefit obligation				
Vested benefit obligation	\$ 152	7,431	-	1,956
Non-vested benefit obligation	1,362	166,248	6,384	122,273
Accumulated benefit obligation	1,514	173,679	6,384	124,229
Effect from future salary increase	377	60,855	1,246	39,434
Projected benefit obligation	1,891	234,534	7,630	163,663
Fair value of pension fund assets	-	(136,356)	(7,281)	(278,510)
Funding status	1,891	98,178	349	(114,847)
Unrecognized net transitional assets (obligation)	(1,891)	-	-	13,906
Unrecognized pension (loss) income	1,514	(38,568)	42	1,984
Accrued pension liabilities (Prepaid Pension)	<u>1,514</u>	<u>59,610</u>	<u>391</u>	<u>(98,957)</u>
Deferred Pension cost	<u>\$ 1,514</u>	<u>-</u>	<u>-</u>	<u>-</u>

As of December 31, 2005, the vested benefit for the Company, Securities, Futures, Bank and Consulting were \$1,528, \$11,360, \$0, \$499 and \$0, respectively.

As of December 31, 2004, the vested benefit for the Company, Securities, Futures and Bank were \$170, \$8,415, \$0 and \$1,956, respectively.

According to Labor Pension Act, effective from July 1, 2005, the pension expenses in 2005 for the Company, Securities, Futures, Banks and Consulting were \$1,561, \$22,066, \$1,911, \$43,367 and \$279, respectively.

29) STOCKHOLDERS' EQUITY

(29.1) Capital Stock

The Company was established through a stock conversion between Jih Sun Securities Co., Ltd. and Jih Sun International Bank, Ltd. on February 5, 2002. The conversion ratio was 1.44403 shares and 0.57759 shares, respectively, for a total of 2,194,760,000 shares issued at par value of \$10. On August 20, 2003, Jih Sun Securities Co., Ltd. shares were converted at a ratio of 1.444 shares for a total of 62,377,766 shares converted at par value of \$10. On December 8, 2003, 3,864,579 shares of treasury stock were retired at par value of \$10. As of December 31, 2005 and 2004, the Company's authorized capital was \$50,000,000 and paid-in capital was \$22,532,732, totaling 2,253,273,187 shares.

(29.2) Capital surplus

Pursuant to Accounting Research and Development Foundation of the Republic of China Ruling Letter No. (90)

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182 dated October 29, 2001, investment cost of the subsidiaries involved in the stock conversion between Jih Sun Securities Co., Ltd. and Jih Sun International Bank, Ltd. is based on the difference between the book values of assets and liabilities of the subsidiaries, with par value reflected as capital stock and additional paid-in capital reflected as capital surplus. Additional paid-in capital resulting from the stock conversion amounted to \$10,061,508 with unappropriated earnings originally belonging to subsidiaries prior to conversion of \$2,472,392 required to be distributed as cash dividends in accordance to Article 47, Paragraph 4 of the Financial Holding Company Law. Unappropriated earnings transferred to increase capital are allowed during the year the conversion occurred, and Article 8 of the Securities Exchange Law Implementation Rule does not restrict the capitalization ratio.

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

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

(29.3) Treasury stock

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

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

According to the requirements under the Securities Exchange Law, the ratio of the number of treasury shares repurchased shall not exceed 10% of the total shares issued; the total amount of the shares repurchased shall not exceed the sum of retained earnings, premium on stock issuance, and realized capital surplus. The Company's highest amount of treasury shares held during the year was 160,000 thousand shares, respectively and the total amount of treasury stock repurchased was \$1,532,161, which complies with the requirements under the Securities Exchange Law. Using financial statements as of March 31, 2004, the maximum amount of treasury stock repurchased was 225,327 thousand shares for a total of \$8,604,823, respectively. As of December 31, 2005 and 2004, the amount of treasury stock repurchased was 120,000 thousand shares and 160,000 thousand shares, respectively. As of December 31, 2005 and 2004, the amount of treasury stock repurchased was \$1,201,580 and \$1,532,161, respectively. According to the Securities Exchange Law, treasury stock cannot be pledged, nor does it have stockholder rights prior to transfer.

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

	From January 1, 2005 to December 31, 2005			
	<u>Jih Sun Securities Co., Ltd</u>		<u>Jih Sun International Bank, Ltd</u>	
	Shares	Amounts	Shares	Amounts
Beginning balance	6,260,410	59,955	-	-
Transfer during the period	<u>6,260,410</u>	<u>59,955</u>	<u>-</u>	<u>-</u>
Ending balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Transfer price		<u>59,608</u>	(Note)	<u>-</u>

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

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

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

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

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

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

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

30) EARNINGS DISTRIBUTION AND DIVIDEND POLICY

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

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

According to SFC Ruling Letter (1) No. 100116 dated January 3, 2000, and other related regulations, prior to any distribution of earnings, if there are any deductions made to stockholders' equity, then an equal amount of

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special reserve must be provided for based on net income and unappropriated earnings. If there are any subsequent reversals to the deduction from stockholders' equity, then the reversed portion may be distributed.

The Company incurred a loss for 2005 and 2004, and therefore no employee bonuses and remuneration to directors and supervisors were distributed. Information regarding earnings distribution can be found on the Market Observation Post System.

31) INCOME TAX

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

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

- (1) The Company's statutory tax rate is 25%. Following are the Company's income tax components in 2005 and 2004:

	<u>2005</u>	<u>2004</u>
Income tax payable	\$ 8,407	764,373
Separate income tax levied on short-term bills	21,390	12,676
Surtax of 10% on undistributed earnings	(744)	(1,561)
Income tax prepayment and withholding	34,910	113,699
Income tax currently payable	63,963	889,187
Increase in deferred tax assets — current	(6,878)	(6,615)
Surtax of 10% on undistributed earnings	744	1,561
Adjustment of prior year's income tax expense	51,283	(3,761)
Income tax expense	<u>\$ 109,112</u>	<u>880,372</u>

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

	<u>2005</u>	<u>2004</u>
Income (loss) before income tax calculated at legal tax rate	\$ (2,077,750)	843,881
Income tax effect of adjustment items Permanent difference:		
Loss on disposal of securities	26,130	221,659
Investment loss(gain) — equity method	1,009,034	(321,681)
Securities transactions tax exemption	-	(40,463)
Provision for (reversal of provision for) market decline of operating securities	(28,152)	(90,632)
Valuation loss on default securities	(7)	(185)
Difference between financial and tax treatment of bonds with repurchase agreement	(157,186)	10,169
Difference between financial and tax treatment of stock warrants	(13,604)	378,906
Reversal of provision for securities trading loss reserve	7,397	(1,448)
Gain or loss from bond transactions	(21,154)	(10,702)
Loss on land transactions	(1,647)	(3,326)
OBU loss (income) tax exemption	(26,972)	800
Loss on market decline of collateral	(23,736)	20,142
Allowance for credit loss over limit	169,357	(43,717)
Unrealized exchange loss	(26,198)	(24,815)
Effect of separate tax	11,884	6,721
Unrealized derivative income	21,844	-
	1,310,777	-
Other	(118,345)	(62,441)
Subtotal	<u>61,672</u>	<u>882,868</u>
Temporary difference		
Pension difference rejected	131	2,986

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Reversal of provision for securities trading loss reserve	2,475	3,648
Amortization of employee benefit expense	<u>(315)</u>	<u>(315)</u>
Subtotal	2,291	6,319
Income Taxes	<u>\$ 63,963</u>	<u>889,187</u>

(3) A summary of temporary differences and income tax effects of deferred tax assets and liabilities as of December 31, 2005 and 2004, is as follows:

	December 31, 2005		December 31, 2004	
	Amount	Tax effect - non-current	Amount	Tax effect - non-current
Deferred tax assets — current				
Deductible temporary difference resulting from employee benefits	1,260	315	1,260	315
Pension fund expense	100	25	-	-
Set-up expenses	12	3	12	3
Allowance for deferred tax assets-current	<u>(12)</u>	<u>(3)</u>	<u>(12)</u>	<u>(3)</u>
Total	<u>\$ 1,360</u>	<u>340</u>	<u>1,260</u>	<u>315</u>
Deferred tax assets — non-current				
Deductible temporary difference resulting from recognition of unrealized default indemnity loss	92,570	23,142	82,670	20,667
Bad-debt loss	9,521	2,380	9,520	2,380
Deductible temporary difference resulting from provision for pension	<u>(31,473)</u>	<u>(7,868)</u>	<u>(18,121)</u>	<u>(4,530)</u>
Loss carryforwards	6,711,075	1,677,769	1,647,072	411,768
Investment tax credits	68,216	17,054	70,932	17,733
Deductible temporary difference resulting from employee benefits	226	56	1,488	372
	22	6	-	-
Allowance for deferred tax assets	<u>(6,690,840)</u>	<u>(1,672,710)</u>	<u>(1,654,024)</u>	<u>(413,506)</u>
Total	<u>\$ 159,317</u>	<u>39,829</u>	<u>139,537</u>	<u>34,884</u>
Deferred tax liabilities — current	<u>\$ -</u>	<u>-</u>	<u>(13,552)</u>	<u>(3,388)</u>

(4) The company jointly filed income tax returns for 2005 for the Company, Jih Sun Securities Co., Ltd., and Jih Sun International Bank, Ltd. Information regarding tax incentives resulting from joint filing of \$0 tax liabilities.

(5) Income tax returns of the Company through 2002 had been examined and cleared by the tax authorities.

(6) The Securities' income tax returns through 2002 (except 1996 and 2001) were assessed by the Tax Authority. However, the Securities disagreed with the assessment for 1994, 1995, 1997, 1998 and 1999, and filed for reassessment with the Tax Authority. The Securities has filed for administration proceedings for the income tax returns. The Securities had already estimated the amount of bond interest tax withheld that could not be stated as a deductible; subsequently it was stated as an increase in income tax payable amounting to \$36,785 thousands. According to the compromise of stockbroker trade association and IRS, the Company were assessed to pay 40% of the assessed tax.

According to the Income tax law and related regulations, the Company estimated income tax expense for warrants issued from 2000 to 2005 was \$1,267,290 thousands.

The income tax returns of the Bank through 2001 had been examined and cleared by the tax authorities.

The income tax returns of the Future through 2003 had been examined and cleared by the tax authorities.

According to ROC income tax laws, losses can be carried forward to offset taxable income for the five years following the loss.

a) As of December 31, 2005, the Bank's unused carryforwards and expiration date were as follows:

Period of loss	Year of expiration	Amount
2001	2006	\$ 284,306
2002	2007	1,161,805
2005(Estimated)	2010	5,243,105
Net		<u>\$ 6,689,216</u>

b) Jih Sun Futures Management Co., Ltd

Period of loss	Year of expiration	Amount
2004	2009	\$ 11,810
2005(Estimated)	2010	10,049

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Net \$ 21,859

- (7) The Bank's available investment credits and their related expiration years were as follows:

Year occurred	Available tax credits	Expiration year
2002	10,109	2006
2003	1,956	2007
2004	1,714	2008
2005	3,275	2009
Total	<u><u>\$ 17,054</u></u>	

- (8) Related information on imputation tax system:

	December 31, 2005			
	The Company	Securities	Bank	Futures
Balance of stockholders' imputation credit account	<u><u>\$ 795,748</u></u>	<u><u>6,767</u></u>	<u><u>437,027</u></u>	<u><u>59,839</u></u>
	December 31, 2004			
	The Company	Securities	Bank	Futures
Balance of stockholders' imputation credit account	<u><u>\$ 427,752</u></u>	<u><u>31,960</u></u>	<u><u>300,840</u></u>	<u><u>36,718</u></u>

	2005			
	The Company	Securities	Bank	Futures
Estimated imputation credit ratio of earnings distribution	<u><u>- %</u></u>	<u><u>0.47%</u></u>	<u><u>- %</u></u>	<u><u>33.33%</u></u>
	2004			
	The Company	Securities	Bank	Futures
Actual imputation credit ratio of earnings distribution	<u><u>- %</u></u>	<u><u>12.17%</u></u>	<u><u>- %</u></u>	<u><u>33.33%</u></u>

- (9) Related information on undistributed earnings:

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

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

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

32) EARNINGS PER SHARE

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

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December 31, 2005 and 2004 were 2,122,462,569 and 2,092,361,606, respectively. The earnings per share for the years ended December 31, 2005 and 2004 were (NT\$2.07) and NT\$0.54, respectively.

33) NON-CASH FLOW ACTIVITIES RESULTING FROM PURCHASES OF THE ASSETS AND LIABILITIES OF TRUST DEPARTMENT OF TAIWAN DEVELOPMENT CO.,LTD

	Amount
Marketable Securities	\$ (3,324,606)
Receivables	(2,319,181)
Discounted bills and loans	(3,519,726)
Fixed assets	(626,796)
Intangible assets	(1,660,737)
Other financial assets	64,135
Deposits from banks	1,620,742
Payables	172,425
Advances	5,615
Deposits and remittances	14,857,970
Other liabilities	22,918
Cash received from acquisition of assets and liabilities of Trust Department of Taiwan Development Co., Ltd.	\$ 5,292,759

34) FINANCIAL INSTRUMENTS

(34.1) Financial derivatives:

Jih Sun Securities Co., Ltd.:

① Stock warrants

Information about the issued stock warrants, please refer to Note 4(18) and 4(19).

A. Credit risk:

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

B. Market risk

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

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

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

D. Purpose of issuing stock warrants and the related strategy

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

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

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warrants.

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

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

F. Financial statement presentation of derivative financial instruments

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

② Transactions of futures and options

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

Items	Transaction Type	Holder/ Seller	Volume	Contract Amount	Fair Value	Notes
2005.12.31						
Options	Call options	Holder	7,569	\$ 11,277	11,891	Speculation
Options	Put options	Holder	15,237	17,300	16,712	"
Options	Put options	Holder	200	2	1	"
Options	Put options	Holder	1,100	17	28	"
Total			24,106	\$ 28,596	28,632	
Futures	Electronics index futures	Seller	251	\$ 287,361	291,060	"
Futures	Financial	Seller	50	44,774	44,700	"
Futures	Taiwan stock index futures	Seller	899	1,185,832	1,185,781	"
Options	Call options	Seller	9,709	55,493	80,600	"
Options	Put options	Seller	3,658	22,682	9,792	"
Options	Call options	Seller	196	2,372	4,012	"
Options	Put options	Seller	190	910	196	"
Options	Call options	Seller	50	-	4	"
Options	Put options	Seller	478	5	2	"
Total			15,481	\$ 1,599,429	1,616,147	

Items	Transaction Type	Holder/ Seller	Volume	Contract Amount	Fair Value	Notes
2004.12.31						
Futures	Financial	Holder	719	\$ 735,197	752,074	Speculation
Futures	Taiwan stock index futures	Holder	16	4,816	4,950	"
Futures	Electronics index futures	Holder	9	8,310	8,312	"
Options	Call options	Holder	1,477	7,819	10,254	"
Options	Put options	Holder	2,429	4,057	2,025	"
Options	Call options	Holder	70	454	396	"
Options	Put options	Holder	28	173	124	"
Total			4,748	\$ 760,826	778,135	
Futures	Taiwan stock index futures	Seller	2,023	2,438,791	2,503,665	"
Futures	Electronics index futures	Seller	855	771,108	789,678	"
Options	Call options	Seller	3,199	5,128	6,834	"
Options	Put options	Seller	2,058	4,265	2,574	"
Options	Call options	Seller	551	1,485	1,409	"
Options	Put options	Seller	280	1,493	911	"
Total			8,966	\$ 3,222,270	3,305,071	

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

A. Credit risk

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

B. Market value risk

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

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

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

D. Financial statement presentation of derivative financial instruments

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

	December 31, 2005	December 31, 2004
Futures margin deposits	\$ 717,365	787,509
Call option-speculation	28,632	12,799
Liabilities of put option -speculation	94,607	26,273
	<u>2005</u>	<u>2004</u>
Loss on futures contracts-speculation	<u>\$ 286,414</u>	<u>(586,712)</u>
Unrealized loss on futures contracts	<u>\$ 3,574</u>	<u>66,431</u>
Gain (loss) on options transactions	<u>\$ 160,733</u>	<u>43,419</u>
Unrealized gain on options transactions	<u>\$ (13,108)</u>	<u>941</u>

③ Interest rate swap

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

<u>Transaction counter-party</u>	<u>Transaction terms</u>	<u>Nominal principal</u>	<u>Fixed rate%</u>	<u>Floating rate index</u>	<u>Settlement date</u>	<u>Expiration date</u>	<u>Purpose</u>
KGI Securities Co.	Short position	\$ 300,000	2.800	90 days	Once a quarter	98.5.28	Trading
				(Secondary market)			
Capital Securities Corp.	"	300,000	2.750	"	"	98.5.29	"
H.S.B.C.	"	300,000	2.350	"	"	96.5.28	"
KGI Securities Co.	Long position	300,000	2.650	"	"	98.7.07	"
Chinatrust Commercial Bank	"	300,000	2.200	"	"	98.7.19	"
Chinatrust Commercial Bank	Short position	300,000	1.805	"	"	95.7.19	"
KGI Securities Co.	Long position	300,000	2.610	"	"	98.7.23	"
Barits Securities Corp.	"	300,000	2.210	"	"	96.7.26	"
Chinatrust Commercial Bank	Short position	300,000	2.240	"	"	96.7.30	"
Barits Securities Corp.	Short position	100,000	1.820	"	"	95.8.07	"
H.S.B.C.	Long position	300,000	2.180	"	"	96.8.13	"

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H.S.B.C.	Short position	300,000	1.790	"	"	95.8.14	"
Fubon Bills Finance Co., Ltd.	Long position	200,000	2.070	"	"	96.8.20	"
Taishin International Bank	Short position	300,000	1.690	"	"	95.8.24	"
H.S.B.C.	Long position	300,000	2.025	"	"	96.9.03	"
KGI Securities Co.	"	300,000	2.580	"	"	98.10.19	"
Fubon Bills Finance Co., Ltd.	"	300,000	2.560	"	"	98.11.02	"
President Securities Corp.	"	300,000	2.090	"	"	96.11.12	"
Taishin International Bank	"	300,000	2.660	"	"	100.11.22	"
Polaris Securities Co., Ltd.	"	300,000	2.190	"	"	99.01.25	"
Capital Securities Corp.	"	300,000	2.180	"	"	99.02.23	"
KGI Securities Co.	"	300,000	2.090	"	"	99.03.01	"
Standard Chartered Bank	Short position	300,000	2.440	"	"	101.03.08	"
KGI Securities Co.	"	300,000	2.180	"	"	99.03.09	"
Fubon Bills Finance Co., Ltd.	"	300,000	2.230	"	"	99.03.15	"
Cathay United Bank Company Limited	"	300,000	1.705	"	"	96.03.26	"
MasterLink Securities Co.	"	300,000	1.665	"	"	96.03.30	"
Standard Chartered Bank	Long position	300,000	2.155	"	"	99.04.19	"
President Securities Corp.	"	300,000	2.1425	"	"	99.04.29	"
President Securities Corp.	"	300,000	1.620	"	"	96.05.30	"
President Securities Corp.	Short position	300,000	1.595	"	"	96.05.03	"
Chinatrust Commercial Bank	Long position	400,000	-	IF 6L<0.6%, 6L+0.003% IF 0.6% <=6L<=2.5%,5.5% IF 6L>2.5% , 6.55%-6L	Once a half	99.10.13	"
Chinatrust Commercial Bank	"	200,000	-	IF 6L<0.6%, 6L+0.004% IF 0.6% <=6L<=2.5%,5.5% IF 6L>2.5% , 6.55%-6L	"	99.10.13	"
Chinatrust Commercial Bank	"	500,000	-	Year1 : 3% Thereafter :	"	99.04.07	"

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Standard Chartered Bank	"	1,000,000	1.05	4.0009%-6MLIBOR CPN=2.5to2004/11 ; thereafter(6ml+0.6 %)*D/N 0.5Y:1.0%<6ml<2.0 % 2Y:1.1%<6ml<2.5% 3Y:1.1%<6ml<3.0% 4Y:1.1%<6ml<3.5% 5Y:1.1%<6ml<4.0% 6Y:1.1%<6ml<4.5% 7Y:1.1%<6ml<5.0%	100.05.25	"
Standard Chartered Bank	"	400,000	0.43	6ml<1.05%,6ml ; 1.05%<6ml<2.10%, 3.40% ; 6ml>2.10%, 4.20%-6mL	98.02.16	"
H.S.B.C.	"	200,000	0.75	6ml<1.10%,6ml ; 1.10%<6ml<2.00%, 3.50% ; 6ml>2.00%, 4.70%-6ml	98.05.14	"
H.S.B.C.	"	200,000	0.28	6ml<1.05%,6ml ; 1.05%<6ml<2.10%, 3.40% ; 6ml>2.10%, 4.20%-6mL	98.02.16	"
ABN AMRO Bank	"	200,000	1.43	5.95% - 6mL	98.07.15	"
H.S.B.C.	"	300,000	0.83	6ml<1.10%,6ml ; 1.10%<6ml<2.00%, 3.50% ; 6ml>2.00%, 5.30%-6mL	97.12.24	"
Standard Chartered Bank	"	200,000	0.33	4.60% - 6ML	97.02.11	"
Standard Chartered Bank	"	200,000	0.21	6ml<1.05%,6ml ; 1.05%<6ml<2.10%, 3.40% ; 6ml>2.10%, 4.20%-6mL	98.02.16	"

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Standard Chartered Bank	"	200,000	0.3	6ml<1.05%,6ml ; 1.05%<6ml<2.00%, 3.50% ; 6ml>2.00%, 4.40%-6mL	Once a quarter	98.02.16	"
H.S.B.C.	"	200,000	0.33	4.60% - 6ML	Once a half	97.02.11	"
H.S.B.C.	"	100,000	1.94	6.30% - 6ML	"	99.11.27	"
ABN AMRO Bank	"	300,000	0.53	6ml<1.10%, 6ml+0.003% ; 1.10%<6ml<2.00%, 3.8003% ; 6ml>2.00%, 4.7997%-6mL	"	98.03.03	"
H.S.B.C.	"	200,000	0.4	IF3ML<1.1%,2* 3ML-0.55%; 1.1%<3ML<2.1%, 3.4%; 3ML>2.1%,4.5%-3 ML	Once a quarter	98.03.04	"
Standard Chartered Bank	"	200,000	0.57	6ml<1.10%, 6ml+0.005% ; 1.10%<6ml<2.00%, 3.8005% ; 6ml>2.00%, 4.7995%-6mL	Once a half	98.03.03	"
Taipeifubon Commercial Bank Co., Ltd	Short position	300,000	1.68	90 days (Secondary market)	Once a quarter	96.08.26	"
Taipeifubon Commercial Bank Co., Ltd	"	300,000	2.05	"	"	99.08.26	"
ABN AMRO Bank	Long position	500,000	0.82	5.20% - 6mL	Once a half	96.10.01	"
ABN AMRO Bank	"	100,000	0.73	IF6ML<1.05%,6ML ; 1.05%<6ML<2.0%, 4.5%; 6ML>2.0%,5.0% -6ML	"	98.09.25	"

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

Taipeifubon Commercial Bank Co., Ltd	Short position	300,000	1.68	90 days (Secondary market)	Once a quarter	96.08.29	"
Taipeifubon Commercial Bank Co., Ltd	"	300,000	2.045	"	"	99.08.29	"
MasterLink Securities Co.	"	300,000	1.685	"	"	96.08.30	"
Fubon Securities Co., Ltd.	Long position	300,000	2.0425	"	"	99.08.30	"
MasterLink Securities Co.	"	300,000	2.05	"	"	99.08.30	"
Fubon Securities Co., Ltd.	Short position	300,000	1.6825	"	"	96.08.30	"
Fubon Bills Finance Co., Ltd.	Long position	300,000	2.0	"	"	99.08.31	"
Taishin International Bank	"	300,000	2.0	"	"	99.08.31	"
President Securities Corp.	"	300,000	2.02	"	"	99.09.01	"
Taipeifubon Commercial Bank Co., Ltd	"	300,000	1.63	"	"	96.09.06	"
Taipeifubon Commercial Bank Co., Ltd	"	300,000	1.63	"	"	96.09.06	"
Cathay United Bank Company Limited	Short position	300,000	2.27	"	"	99.11.08	"
President Securities Corp.	"	300,000	2.265	"	"	99.11.08	"
KGI Securities Co.	"	300,000	2.195	"	"	99.11.11	"
Chinatrust Commercial Bank	"	300,000	-	1.6ML<1.05%, 6MLrate 2.1.05%<=6ML, 5%-6ML	Once a half	98.03.03	"
City Bank	Long position	500,000	0.25	6ml<=2.6%,2.6% 6ml>2.5%,max(4.9 %-6ml,0)	"	98.03.15	"

December 31, 2004

<u>Transaction party</u>	<u>Transaction terms</u>	<u>Nominal Principal</u>	<u>Fixed Rate %</u>	<u>Floating Rate index</u>	<u>Settlement date</u>	<u>Expiration date</u>	<u>Purple</u>
KGI Securities Co.	Short position	\$ 300,000	2.800	90 days (Secondary market)	Once a quarter	98.5.28	Trading
Capital Securities Corp.	"	300,000	2.750	"	"	98.5.29	"
H.S.B.C.	"	300,000	2.350	"	"	96.5.28	"
KGI Securities Co.	Long position	300,000	2.650	"	"	98.7.07	"
China trust Commercial Bank	"	300,000	2.200	"	"	98.7.19	"
China trust Commercial Bank	Short position	300,000	1.805	"	"	95.7.19	"
KGI Securities Co.	Long position	300,000	2.610	"	"	98.7.23	"
Barits Securities Corp.	"	300,000	2.210	"	"	96.7.26	"

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

Chinatrust Commercial Bank	Short position	300,000	2.240	"	"	96.7.30	"
Barits Securities Corp.	Short position	100,000	1.820	"	"	95.8.07	"
H.S.B.C.	Long position	300,000	2.180	"	"	96.8.14	"
H.S.B.C.	Short position	300,000	1.790	"	"	95.8.14	"
FuBon Bill Finance Co., Ltd.	Long position	200,000	2.070	"	"	96.8.20	"
Taishin International Bank	Short position	300,000	1.690	"	"	95.8.24	"
H.S.B.C.	Long position	300,000	2.025	"	"	96.9.03	"
KGI Securities Co.	"	300,000	2.580	"	"	98.10.19	"
FuBon Bill Finance Co., Ltd.	Short position	300,000	2.560	"	"	98.11.02	"
President Securities Corp.	"	300,000	2.090	"	"	96.11.12	"
Taishin International Bank	Long position	300,000	2.660	"	"	100.11.22	"

B. Credit risk

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

C. Market risk

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

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

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

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

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

④ Convertible corporate bonds and asset swap options

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

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

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

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

B. Credit risk

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

C. Market risk

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

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

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

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

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

⑤ Principal Guaranteed Product

A. As of December 31, 2004, the Company does not held any position of principle guaranteed product not yet due.

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

B. Credit risk

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

C. Market risk

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

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

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

JHSUN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
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future cash demand risk.

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

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

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

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

	<u>December 31, 2005</u>	
	<u>Assets of financial derivative instruments-O.T.C</u>	<u>Liabilities of financial derivative instruments-O.T.C</u>
IRS contract value	\$ 93,803	82,153
IRS contract value – assets swap	-	864
Bonds option - speculation	-	2,012
Liabilities of principal guaranteed product-option	-	31
Liabilities of principal guaranteed product-fixed income	-	32,942
Assets of equity-linked notes - options	13	-
Liabilities of equity-linked notes - premium	-	2,470
Call option of convertible bonds	3,960	-
Put option of convertible bonds	-	27,606
Deferred loss on financial assets	38,857	-
	<u>December 31, 2004</u>	
	<u>Assets of financial derivative instruments-O.T.C</u>	<u>Liabilities of financial derivative instruments-O.T.C</u>
IRS contract value	\$ 39,125	37,397
IRS contract value – assets swap	-	8,226
Assets swap option	2,460	-
Assets of equity-linked notes - options	725	-
Bonds option - speculation	93	-
Liabilities of equity-linked notes - premium	-	40,000
Deferred loss on equity-linked notes	174	-
Put option	-	14,249

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

<u>2005</u>	<u>2004</u>
<u>Unrealized valuation gain (loss) on financial derivative instruments</u>	<u>Unrealized valuation gain (loss) on financial derivative instruments</u>

JIH SUN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
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IRS contract value	\$	101,039	(1,906)
Assets swap option		16,294	801
IRS contract value – assets swap		(1,296)	(179)
Equity-linked notes		(1,568)	(191)
Bonds options		(3,672)	291
Principal guaranteed product-premium		(84)	17,162
		<u>\$110,713</u>	<u>15,978</u>

Jih Sun International Bank Ltd.:

① Contract or nominal amount and credit risk

	<u>December 31, 2005</u>		<u>December 31, 2004</u>	
	Contract Amount (Nominal Amount)	Credit Risk	Contract Amount (Nominal Amount)	Credit Risk
<u>Purpose for transacting</u>				
Foreign exchange contracts:				
Forward contracts and futures held for trading purposes	\$ 5,887,293	33,142	12,051,543	106,566
Exchange rate contracts:				
Exchange rate options	1,858,500	9,664	1,119,296	-
Equity security contracts:				
Security price options	315,775	-	353,529	-
Futures	159,641	-	306,738	-
Swaps contracts				
Interest swaps	19,100,000	85,475	-	
Asset swaps	11,400	11,400	91,400	-
	<u>\$ 27,332,609</u>	<u>139,681</u>	<u>13,922,506</u>	<u>106,566</u>

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

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

② Market value risk

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

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

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

④ Gain or loss resulting from current period trading activities

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

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

(34.2) Fair value of financial instruments:

<u>Financial Assets</u>	<u>December 31, 2005</u>		<u>December 31, 2004</u>	
	<u>Book Value</u>	<u>Fair Value</u>	<u>Book Value</u>	<u>Fair Value</u>
Non-derivative Financial Instruments				
Financial assets with book value equal to fair value	\$ 249,747,312	249,747,312	244,046,333	244,046,333
Short-term investment	27,017,975	27,275,245	20,442,995	20,563,215
Operating securities (without derivative parts)	22,236,294	22,608,665	12,610,644	12,723,033
Investment in redeemable bonds	7,496,388	7,509,404	16,362,116	16,367,401
Long-term equity investments	4,961,431	4,961,431	6,091,437	6,091,437
-Impossible to estimate fair value in practice				
Derivative Financial Instruments				
Call options – speculation	69,585	69,585	33,271	33,271
Receivables – futures margin	717,365	717,365	787,509	787,509
Derivative Financial Instruments	136,633	136,633	42,577	42,577
Financial Liabilities				
Non-derivative Financial Instruments				
Financial liabilities with book value equal to fair value	258,952,054	258,952,054	259,083,472	259,083,472
Liabilities of bonds with repurchase agreements	28,298,419	28,343,084	17,938,396	17,950,666
Accrued pension liabilities	89,291	203,631	61,515	100,418
Long-term liabilities				
-Due in one year	-	-	-	-
-Due over one year	22,080,180	22,066,413	14,281,075	14,234,288
Derivative Financial Instruments				
Liabilities for stock warrants issued	301,350	301,350	-	-
Repurchased stock warrants	(229,091)	(229,091)	-	-
Derivative Financial Instruments – speculation	148,078	148,078	85,623	85,623
Other current liabilities – put options	94,607	94,607	26,273	26,273

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

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

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

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and securities financing guaranty deposits-in,etc.

- (b) Short-term securities, operating securities, investment in redeemable bonds, and liabilities of bonds with repurchase agreements:

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

- (c) Long-term equity investments:

The fair values of long-term equity investments are estimated based on available market value. All of the Company's long-term equity investments are in unlisted (non-OTC) shares, and because they are not traded in the open market, their fair values cannot be estimated.

- (d) Accrued pension liabilities:

The fair value of accrued pension liabilities is the funding status as of December 31, 2005 and 2004, respectively.

- (e) Long-term loans:

Interest is computed using annual floating rates, and their book values are equal to their fair value.

- (f) Fair value of financial derivatives is determined by the amount that the Company and its subsidiaries will pay or receive, assuming contract termination on the balance sheet date. In general, it includes unrealized gains and losses on currently unsettled contracts. There are reference reports issued by financial institutions for most of the financial derivatives held by the Company and its subsidiaries.

(34.3) Financial instruments with off-balance-sheet credit risk

Because the Bank provides loans and issue credit cards, it has substantial commitments to extend credit; most of the credit extension is limited to one year. The interest rate on such credit loans ranges from 0.1% to 20%. The highest interest rate for credit cards is up to 20%. In addition, the Bank provides financial guarantees and commercial letters of credit as guarantees for its customers' obligations to third parties with various due dates, which usually have a negotiated term of one year.

The Bank has financial instruments with off-balance-sheet credit risk with contract amount as follows:

	<u>December 31, 2005</u>	<u>December 31, 2004</u>
Loan commitments	\$ 68,869,000	54,707,000
Credit card commitments	88,442,047	86,177,731
Financial guarantees and commercial letters of credit	5,890,676	2,699,860
Total	<u>\$ 163,201,723</u>	<u>143,584,591</u>

Since these financial instruments will not be settled in advance of their due dates, therefore, their contract amount does not represent future cash outflow, which means that the future cash demand is less than the contract amount. Assuming that the credit limitation has been reached and the collateral or other guarantees have lost their value, the credit risk is the same as the contract amount resulting in the maximum possible loss to the Bank.

Prior to providing loan commitments, financial guarantees, and commercial letters of credit, the Bank performs strict credit evaluation. It is the Bank's policy to request collateral prior to approval of loans to designated customers. Collateralized loans account for 58.84% of the total loans outstanding. Collateralized financial guarantees and commercial letters of credit account for 0% to 100% of the total, with an average of 13%. The collateral requested for loans, financial guarantees, and letters of credit usually comprise cash, inventory, liquid marketable securities, or other property. Upon customer default, the Bank will enforce its rights to the collateral or other guarantee.

Credit card commitments do not require collateral, but the Bank regularly evaluates the cardholder's credit rating, and if necessary, it will adjust the cardholder's credit limit.

(34.4) Information on concentrations of credit risk

Group concentrations of credit risk exist if a number of counter-parties are engaged in similar activities or activities in the same region or have other similar economic characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions. The Bank has no concentration of credit risk resulting from exposure with an individual customer, an individual counter-party or one single industry; except for regions and industries having similar economic characteristics.

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The Bank's contract amounts with concentrations of credit risk were as follows:

	Loans		Customer deposits		Off-balance sheet	
	December 31, 2005	December 31, 2004	December 31, 2005	December 31, 2004	December 31, 2005	December 31, 2004
Loans – according to region						
Domestic	\$ 184,804,064	174,313,161	211,055,837	211,669,275	12,365,693	8,228,301
Central America	2,157,079	2,630,761	1,145,913	1,088,773	49	84,675
Other	4,744,943	1,362,835	408,202	8,024,344	613,804	210,640
Total	<u>\$ 191,706,086</u>	<u>178,306,757</u>	<u>212,609,952</u>	<u>220,782,392</u>	<u>12,979,546</u>	<u>8,523,616</u>
Loans – by industry						
Financial	\$ 8,796,723	8,266,117	11,034,919	16,601,176	-	-
Construction	10,407,093	10,788,297	1,432,349	1,902,437	1,570,313	1,018,260
Other	172,502,270	159,252,343	200,142,684	202,278,779	11,409,233	7,505,356
Total	<u>\$ 191,706,086</u>	<u>178,306,757</u>	<u>212,609,952</u>	<u>220,782,392</u>	<u>12,979,546</u>	<u>8,523,616</u>

5. RELATED PARTY TRANSACTIONS

(5.1) Name of Related Party and Relationship with the Company

Name of Related Party	Relationship with the Company
Jih Sun Securities Investment Consulting Co., Ltd.	Invested company accounted for under the equity method
Jih Sun Life Insurance Agent Co., Ltd.	The bank invested company accounted for under the equity method
Jih Sun Venture Capital Investment Co., Ltd.	Invested company accounted for under the cost method
Jih Sun Cresvale Securities International Limited	Invested company accounted for under the equity method
Jih Sun Financial Services (Cayman) Ltd.	"
Jih Sun Managed Futures Co., Ltd.	Invested company accounted for under the equity method
Jih Sun International Leasing & Finance Co., Ltd.	Real related party
Yong Da Investment Co., Ltd.	Real related party
Jih Sun educated foundation	Real related party
My Humble House Co., Ltd.	A company whose board is the spouse to the Company's board chairman
Jih Sun Security Co., Ltd.	Real related party
San-Sun Investment Co., Ltd.	Real related party
Other related parties	The Company's directors, supervisors, relatives and spouses
Da Mo Enterprise	A company whose board is within the second degree blood relationship to the Company's board chairman

Note: Due to the adoption of revised Statement of Financial Accounting Standards NO.7, the subsidiaries which were below 10% of total assets or total revenues of the Company were not consolidated in 2004 but were consolidated in 2005. The related transactions of such subsidiaries in 2005 had been written off.

(5.2) Significant Transactions with Related Parties

(1) Customer deposits:

Transactions between the Bank and related parties:

Name of related party	Ending balance	Max balance	Interest	Interest rate range
2005				
Jih Sun Securities Investment Consulting Co., Ltd.	\$ 78,798	85,798	1,092	0%~1.8%
Jih Sun Life Insurance Agent Co., Ltd.	44,854	109,291	273	0%~0.2%
Jih Sun Futures Management Co., Ltd.	172,327	193,534	2,772	0% ~1.8%
Jih Sun International Leasing & Finance Co., Ltd.	14,643	31,616	36	0%~1.8%
Jih Sun Venture Capital Investment Co., Ltd.	171,783	193,338	2,266	0%~1.8%

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Other related parties	387,410	739,902	4,679	0%~7.05%
Total	<u>\$ 869,815</u>		<u>11,118</u>	

Name of related party	Ending balance	Max balance	Interest	Interest rate range
2004				
My Humble House Co., Ltd.	\$ 19	213	-	0%~1.60%
Yong Da Investment Co., Ltd.	825	42,250	5	0~0.20%
Jih Sun International Leasing & Finance Co., Ltd.	27,796	82,537	19	0~0.20%
Jih Sun Life Insurance Agent Co., Ltd.	78,981	90,902	122	0.20%
Jin Sun Financial Services (Cayman) Ltd.	3,832	582,355	120	0.30%~1.00%
Jih Sun Securities Investment Consulting Co., Ltd.	75,697	77,821	769	0%~1.40%
Other related parties	<u>159,578</u>	<u>285,671</u>	<u>3,745</u>	<u>0%~13.00%</u>
Total	<u>\$ 346,728</u>		<u>4,780</u>	

(2) Loans

Transactions between the Bank and related parties:

Name of related party	Ending balance	Max balance	Interest	Interest rate range
2005				
My Humble House Co., Ltd.	\$ 40,000	59,000	1,324	2.31%
Other related parties	<u>83,815</u>	<u>84,677</u>	<u>1,415</u>	<u>1.99%~3.34%</u>
Total	<u>\$ 123,815</u>		<u>2,739</u>	
Name of related party	Ending balance	Max balance	Interest	Interest rate range
2004				
My Humble House Co., Ltd.	\$ 59,000	59,000	1,258	2.05%~2.20%
Other related parties	<u>60,032</u>	<u>87,425</u>	<u>1,191</u>	<u>2.12%~3.91%</u>
Total	<u>\$ 119,032</u>		<u>2,449</u>	

As of December 31, 2005 and 2004, there was no delinquency in the credit line provided to related parties. Allowance for bad debts was provided for similarly to that for general financing and is computed at 1% of the loan balance. As for the related party credit policy, the Bank follows the requirements under Articles 32, 33, 33-1, 33-2, 33-4, 33-5 of the Banking Law, and does not provide credit loan without collateral. For collateralized loans, the collateral should consist of full guarantee, and the terms (including interest rate, collateral and related appraisal, guarantor requirement, loan term and repayment method of principal and interest, etc.) must not be superior to those of other parties for similar type of loan. For financing provided to a related party, which individually or cumulatively amount to \$100,000 or 1% of the Bank's net worth, whichever is lower, it must be presented to the Board of Directors and Supervisors for review. This Board meeting must be attended by two-thirds of the directors and approved by three-fourths of the directors in attendance. The terms and conditions of loans to related party are not superior than those given to non-related parties.

As of December 31, 2005, there are no off-balance sheet commitments between the Bank and its related parties.

(3) The bond transactions with repurchase/resale agreements with related parties in 2005 and 2004 were as follows:

Name of related party	2005		2004	
	Interest expense	Ending	Interest expense	Ending

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

	balance	balance
Jih Sun Securities Investment Consulting Co., Ltd.	\$ 5 -	23 -

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

(4) Rent

The rental of offices to related parties were as follows:

Name of related party	2005	2004
Jih Sun International Leasing & Finance Co., Ltd.	\$ 328	411
Jih Sun Securities Investment Consulting Co., Ltd.	626	-
Jih Sun Security Co., Ltd.	502	-
	\$ 1,456	\$ 411

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

Name of related party	2005	2004
San-Sun Investment Co., Ltd.	\$ 15,720	-
Yong Da Investment Co., Ltd.	9,208	10,272
Da-Mo Enterprise	5,515	-
	\$ 30,443	10,272

The guarantee deposits received from related parties were as follows:

Name of related party	December 31, 2005	December 31, 2004
San-Sun Investment Co., Ltd.	\$ 3,930	-
Da-Mo Enterprise	1,666	-
Yong Da Investment Co., Ltd.	2,395	2,568
	\$ 7,991	2,568

The guarantee deposits received from parties were as follows:

Name of related party	December 31, 2005	December 31, 2004
Jih Sun International Leasing & Finance Co., Ltd.	\$ 82	130

(5) Others

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

	2005	2004
Professional fee	\$ 18,870	\$ 18,097
Magazine fee	6,528	6,302
	\$ 25,398	24,399

(b) The Company paid brokerage handling charges to Hong-Kong JS Cresvale Securities International Limited for securities trading abroad of \$372 and \$87 in 2005 and 2004, respectively

(c) As of December 31, 2005 and 2004, Jih Sun International Bank, Ltd. had no bankers' acceptances and commercial paper transactions with related parties.

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

(e) Jih Sun Commercial Bank, Ltd purchased a set of assets amounted to \$2,949 from Jih Sun Futures

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

Management Co., Ltd in 2004.

6. PLEDGED ASSETS

	<u>December 31, 2005</u>	<u>December 31, 2004</u>
Pledged assets – current	\$ 490,010	1,457,859
Pledged assets – non-current	660,000	434,000
Long-term investment in stocks	170,336	170,769
Fixed assets – land	1,259,205	1,259,205
– Building (net)	411,077	422,059
Time deposits (recorded as guarantee deposits paid)	274,000	14,000
Total	<u>\$ 3,264,628</u>	<u>3,757,892</u>

7. SIGNIFICANT COMMITMENTS AND CONTINGENCIES

1) The Company: None.

2) Jih Sun International Bank Ltd.:

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

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

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

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

- (a) The Bank's credit commitments can be cancelled due to accelerated terms', therefore, as of December 31, 2005 and 2004, the Bank had no non-cancelable credit commitments and credit commitment that could only be canceled upon significant payment.

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

- (b) As of December 31, 2005 and 2004, the Bank had direct credit guarantees, which consisted of general guaranteed bonds (corporate bonds) which amounted to \$165,916 and \$241,983, respectively, and guarantee letters for financial guarantees of loans and securities (commercial paper), which amounted to \$5,349,625 and \$2,440,934, respectively.
- (c) As of December 31, 2005 and 2004, the Bank had performance guarantee bonds of \$1,591,372 and \$1,329,425, respectively. Auction deposits were \$0 and \$7,500, respectively, and guarantee letters issued for specified transactions were \$4,273,666 and \$13,180,145, respectively. As of December 31, 2005 and 2004, the Bank still had financial undertaking of \$5,309,978 and \$5,461,400, respectively.
- (d) The Bank's repurchase and resale commitment were as follows:

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

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

- (e) Please refer to Note 4(34) for details of the Bank's interest rates and exchange rates and related derivative financial instrument contracts.

3) Jih Sun Securities Co., Ltd.:

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

- A. As of December 31, 2005 and 2004, the Company had issued post-dated checks for future rental payments, which amounted to \$66,330 and \$93,333, respectively.
- B. As of December 31, 2005 and 2004, in connection with its securities financing activities, the Company held client-owned stocks which amounted to approximately 996,636,682 shares and 1,112,994,307 shares, respectively; stocks loaned out to clients amounted to approximately 65,780,000 shares and 74,903,000 shares, respectively, for which the Company received guarantee deposits in full from the clients.
- C. During 1998, a client of the Company's Pan Chiao Branch filed a lawsuit against a Company employee for unauthorized stock sale of approximately \$40,103. The Company has applied to the court for sequestration to avoid the loss from employer responsibility. The Company made guarantee deposits of \$14,000 to the court (recorded as guarantee deposits-out) and seized the debtor's assets.
- D. The Company acted as the co-underwriter for Jeng-Yih Company's application for government approval to trade over-the-counter. Subsequently, Jeng-Yih Company was quitted to trade over-the-counter because of a significant amount of unpaid. Therefore, the investors have sued the directors and supervisors, the independent auditors, and the underwriters of Jeng-Yih Company for total damages of \$71,017. The litigation procedure is currently in process.
- E. As of December 31, 2005 and 2004, the Company had applied to the court for provisional seizure in connection with protection of its breach penalty for securities margin transactions. Therefore, the Company made guarantee deposits of \$8,667 and \$13,526, respectively, (recorded as guarantee deposit-out) and seized the debtor's assets.
- F. Tai-Chung Branch's three customers alleged that a former employee at the Tai-Chung Branch had sold their stock without permission, and stolen their bank savings. Therefore, the client requested the Company to be responsible jointly and claimed for \$132,278 with interest. The litigation procedure is in process. Except the case that client Yang suit the Company for \$22,403 was a controversial issue, the other two clients' claim in the early part should be judged the debt dispute between the client and the employee, and the Company should not be responsible for any compensation liability.
- G. The Securities had applied to the court its customer, Mr. yang and Mr. Lin for requesting them to payback the financing debt resulting from purchasing stocks, amounting of \$9,902 and interest related. The litigation procedure is still in process.

4) Jih Sun Futures Co., Ltd.:

As of December 31, 2005, the Company had a contract with system development which total price \$595 and paid \$422(Shown in other current assets).

5) Jih Sun Securities Investment Consulting Co., Ltd.

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

As of December 31, 2005 and 2004, the minimum rental under the lease contract amounted to \$723 and \$8,415, respectively.

6) Jih Sun Futures Management Co., Ltd.

A. As of December 31, 2005 and 2004, notes payable to office and car renting were \$1,774 and \$2,160, respectively.

B. As of December 31, 2005 and 2004, the minimum rental under the lease contract amounted to \$4,271 and \$7,979, respectively.

7) Others: None

8. SIGNIFICANT CATASTROPHIC LOSSES: NONE

9. SUBSEQUENT EVENTS

(1) The Company: None.

(2) Jih Sun International Bank Ltd.:

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

(3) Others: None

10. OTHER

(10.1) Jih Sun International Bank Ltd.:

(1) Risk management

① Loan Authorization Risk

Non-Performing Loans:	December 31, 2005	December 31, 2004
Amount	\$ 5,333,693	7,247,010
Ratio	2.73%	3.91%

As of December 31, 2005 and 2004, there were certain concentrations of risk, as follows:

	December 31, 2005		December 31, 2004
	Ratio		Ratio
Manufacturing	14.72%	Manufacturing	13.36%
Wholesale and resale	9.26%	Wholesale and resale	7.86%
Construction	5.59%	Finance, insurance and real estate	7.02%

② Information of certain concentrations of risk out of balance sheet. (Note 4(34))

③ Average balance and current period average interest rate of various interest-bearing assets and liabilities:

	December 31, 2005		December 31, 2004	
	Average balance	Average interest rate	Average balance	Average interest rate
<u>Interest Bearing Assets</u>				
Due from Central Bank	\$ 9,026,609	0.92%	8,718,885	0.94%
Marketable securities	25,632,258	2.24%	17,391,270	2.54%
Call loans to banks	14,955,886	1.33%	11,426,461	1.02%
Discounted bills and loans	185,878,016	5.04%	157,097,532	4.84%
Accounts receivables- buyout and non-buyout	1,608,928	3.14%	-	-
Accounts receivables-	6,865,364	20.00%	-	-

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

credit card recycling credit

Interest-Bearing Liabilities

Financial debentures	9,986,301	3.86%	5,731,183	3.97%
Deposits and call loans from banks	25,768,009	1.53%	18,043,961	1.18%
Deposit reserve	18,065,344	0.46%	18,479,539	0.32%
Time deposits	67,200,808	1.58%	54,819,725	1.47%
Demand savings deposits	39,007,917	0.66%	37,581,050	0.67%
Time savings deposits	84,797,925	1.73%	78,945,747	1.83%
Post Office deposits	14,652,568	1.90%	14,908,611	1.67%

④ Interest Risk

	<u>December 31, 2005</u>	<u>December 31, 2004</u>
Interest-rate-sensitive asset to interest rate sensitive liability ratio	49.99%	54.48%
Interest rate sensitivity gap to net value ratio	(832.10)%	(710.37)%

⑤ Information on risk of foreign currency loss

Foreign Currency Amount	<u>December 31, 2005</u>		<u>December 31, 2004</u>	
	<u>Currency</u>	<u>NTD</u>	<u>Currency</u>	<u>NTD</u>
	1.USD	(556,043)	1.USD	(2,408,495)
	2.GBP	269,224	2.JPY	248,300
	3.JPY	(170,418)	3.EUR	269,169
	4.SWF	120,885	4.GBP	181,263
	5.CAD	56,599	5.SGD	20,505

⑥ Maturity analysis of assets and liabilities

A. Profitability

	<u>December 31, 2005</u>	<u>December 31, 2004</u>
Return on total assets	(2.02)%	0.30%
Return on equity	(40.82)%	5.73%
Net income ratio	(40.31)%	6.11%

B. Maturity analysis of the Bank's assets and liabilities: (Unit: millions of NT dollars)

<u>December 31, 2005</u>	<u>Total</u>	<u>Within one month</u>	<u>Over one</u>	<u>Over three</u>	<u>Over six</u>	<u>Over seven</u>
			<u>month to three months</u>	<u>months to six months</u>	<u>months to one years</u>	<u>years</u>
	<u>Amount</u>	<u>Amount</u>	<u>Amount</u>	<u>Amount</u>	<u>Amount</u>	<u>Amount</u>
Assets	\$ 275,518	28,429	6,364	6,270	30,589	203,866
Liabilities	331,125	70,478	38,344	45,110	82,192	95,001
Gap-to-net	(55,607)	(42,049)	(31,980)	(38,840)	(51,603)	108,865
Total gap-to-net	-	(42,049)	(74,029)	(112,869)	(164,472)	(55,607)

(10.2) Financial structure

	<u>December 31, 2005</u>	<u>December 31, 2004</u>
Risk-Based Capital Ratio	8.65%	10.06%
Liabilities to Assets Ratio	1,945.75%	1,895.94%

(10.3) As required by SFAS No. 28 "Financial Disclosures for Financial Institutions", additional information disclosed by the Bank is as follows:

① Pledged Assets

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

a. As of December 31, 2005 and 2004, the Bank provided government bonds with an approximate face value of \$172,100 and \$290,500, respectively, as guarantee deposits to the court in connection with provisional seizure due to overdue accounts and loans. In addition, the Bank also provided government bonds with an approximate face value of \$50,000 in both years as guarantee deposits of the trust department deposited with the Central Bank. Credit card deposit reserve of the credit card center amounted to \$90,720 and \$82,000, respectively. Guarantee deposits of the finance department deposited with the Central Bank amounted to \$50,000 in both years.

b. As of December 31, 2005 and 2004, the Bank has provided no collateral for its liabilities.

②Maturity analysis of the Bank's assets and liabilities:

	December 31, 2005					
	Within one month	Over one month to six months	Over six months to one year	Over one year to seven years	Over seven years	Total
	Amount	Amount	Amount	Amount	Amount	Amount
Assets						
Short-term investments bonds	\$ 344,375	48,936	530,584	14,776,872	5,931,492	21,632,259
Due from banks	1,013,250	5,318,846	-	-	-	6,332,096
Call loans to banks	2,693,700	-	-	-	-	2,693,700
Loans and advances	8,120,160	15,280,484	9,561,541	91,801,852	66,942,049	191,706,086
Long-term bond investments	-	-	-	-	1,887,496	1,887,496
Total	\$12,171,485	20,648,266	10,092,125	106,578,724	74,751,037	224,241,637
Liabilities						
Due to banks	\$ 4,651,547	5,512,001	11,095,873	-	-	21,259,421
Time deposits	40,197,365	49,660,779	53,204,112	861,730	-	143,923,986
Negotiable CDS	2,888,400	2,136,000	3,696,400	-	-	8,720,800
Call loans from banks	4,910,000	4,646,003	-	-	-	9,556,003
Total	\$ 52,647,312	61,954,783	67,996,385	861,730	-	183,460,210

	December 31, 2004					
	Within one month	Over one months until six months	Over six months until one years	Over one year until seven years	Over seven years	Total
	Amount	Amount	Amount	Amount	Amount	Amount
Assets						
Short-term investments bonds	\$ 115,297	415,386	208,744	5,674,470	4,161,322	10,575,219
Due from banks	913,688	3,856,806	-	-	-	4,770,494
Call loans to banks	2,040,341	-	-	-	-	2,040,341
Loans and advances	7,558,071	20,663,896	11,283,476	79,065,352	59,735,962	178,306,757
Long-term bond investments	-	-	-	-	1,887,087	1,887,087
Total	\$10,627,397	24,936,088	11,492,220	84,739,822	65,784,371	197,579,898
Liabilities						
Due to banks	\$ 3,093,928	6,375,000	11,677,000	100,014	-	21,245,942
Time deposits	24,523,305	45,653,229	50,205,788	11,703,553	-	132,085,875
Negotiable CDS	2,881,800	6,094,000	4,151,000	-	-	13,126,800
Call loans from banks	5,110,000	2,667,283	-	-	-	7,777,283

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

Total	\$ 35,609,033	60,789,512	66,033,788	11,803,567	-	174,235,900
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③ Information on risk of foreign currency loss

Currency	Foreign Currency Amount	
	December 31, 2005	December 31, 2004
AUD	\$ 2,350	(1,379)
CAD	56,599	8
SWF	120,885	2,790
EUR	(13,948)	269,169
GBP	269,224	181,263
HKD	15,212	1,660
JPY	(170,418)	248,300
NZD	(6,498)	(1,636)
SEK	2,581	4,425
SGD	19,913	20,505
THB	28,295	437
USD	(556,043)	(2,408,495)
ZAR	(437)	(2,969)
	\$ (232,285)	1,685,922

④ As required by the Trust Business Law Enforcement Rules, Article No. 17, the balance sheet and the property index of trust accounts disclosed by the Bank are as follows:

TRUST BALANCE SHEET

Trust Assets	December 31, 2005	Trust Liabilities	December 31, 2005
Cash	\$ -	Short-Term Borrowings	\$ -
Cash in Bank	69,638	Payables	-
Short-Term Investments	16,571,540	Unearned Revenue	-
Net Value of Trust Fund	-	Income Tax Payable	-
Receivables	-	Receipts under Custody	-
Inventories	-	Other Liabilities	-
Prepayments	-		
Long-Term Investments	-		
Personal Estate, Net	-		
Real Estate	8,093,598		
Securities	28,023		
Monetary obligation trust	307,484		
Intangible Assets	-	Trust Capital	25,070,283
Other Assets	-	Reserves and Accumulated Earnings	-
Total Trust Assets	\$ 25,070,283	Total Trust Liabilities	25,070,283

TRUST PROPERTY INDEX

Investment Item	December 31, 2005
Short-Term Investment	
Bonds	\$ 8,057,356
Preferred Stock	-
Common stock	-
Fund	8,514,184

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

Short-Term Notes or Investments with Resale Agreements	-	
Cash in Bank	-	69,638
Securities	-	28,023
Monetary obligation trust	-	307,484
Long-Term Investment		
Investments in Stocks	-	
Investments in Bonds	-	
Personal Property, Net		
Gold	-	
Real Estate, Net		
Land	-	8,093,598
Land Improvements	-	
Buildings and Structures	-	
Intangible Assets		
Leasehold	-	
Superficies	-	
Patents	-	
Copyright	-	
Total		\$25,070,283

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

Jih Sun Securities Co., Ltd., who's disclose is required by the Rules Governing Futures Commission Merchants, were as follows:

Article	Formula	Current Period		Previous Period		Benchmark	Result
		Calculation	Ratio	Calculation	Ratio		
17	Equities/(Liabilities — Customers' Equity in Futures Transactions — Futures Trading Loss Reserve — Default Reserve)	<u>1,740,060</u> 90,437	1,924%	<u>1,745,587</u> 15,680	11,133%	≥ 1	Meets benchmark
17	Current Assets/Current Liabilities	<u>1,780,469</u> 90,437	1,969%	<u>1,748,212</u> 15,680	11,149%	≥ 1	"
22	Equities/Minimum paid-in capital	<u>1,740,060</u> 400,000	435%	<u>1,745,587</u> 400,000	436%	≥ 60% ≥ 40%	"
22	Adjusted Net Capital/The total amount of margins required for the non-offset position of the futures customers	<u>1,345,019</u> 284,122	473%	<u>1,304,978</u> 413,855	315%	≥ 20% ≥ 15%	"

Jih Sun Futures Co., Ltd., who's disclose is required by the Rules Governing Futures Commission Merchants, were as follows:

Article	Formula	Current Period		Previous Period		Benchmark	Result
		Calculation	Ratio	Calculation	Ratio		
17	Equities/(Liabilities — Customers' Equity in Futures Transactions — Futures Trading Loss Reserve — Default Reserve)	<u>910,081</u> 190,964	477.00%	<u>885,016</u> 197,684	448.00%	≥ 1	Meets benchmark

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

17	Current Assets/Current Liabilities	<u>5,918,587</u> 5,155,253	114.81%	<u>7,154,069</u> 6,404,822	112.00%	≥ 1	"
22	Equities/Minimum paid-in capital	<u>910,081</u> 630,000	144.46%	<u>885,016</u> 630,000	140.48%	≥ 60% ≥ 40%	"
22	Adjusted Net Capital/The total amount of margins required for the non-offset position of the futures customers	<u>867,773</u> 1,375,801	63.07%	<u>981,307</u> 1,558,304	62.97%	≥ 20% ≥ 15%	"

(10.5) Risk of auxiliary futures contracts

Futures transactions require minimum margin deposits due to the leverage effect. Risks of futures contracts include: If the market value of the margined securities falls below the maintenance margin, a margin call is placed, requiring the investor to provide additional cash to bring the margin account up to the maintenance margin level within a period of time. If the investor fails to provide the additional cash, the Company closes the investor's position. In addition, when there are great fluctuations in market value, the investor may be unable to settle his position, resulting in greater losses.

Jih Sun Futures Co., Ltd. is subject to unpredictable losses resulting from the default of futures counterparties when market values fluctuate. Therefore, according to Regulations Governing Futures Firms, 2% of monthly commission fee is provided for as default loss reserve. According to Ruling Letter No. 108957, starting from July 1, 1999 to June 30, 2003, default loss reserve is not required.

The Company's subsidiaries, Jih Sun Securities Co., Ltd. and Jih Sun Futures Co., Ltd., engage in futures transactions and are exposed to market risk resulting from futures. Stop-loss points are established and therefore possible losses are within prediction.

(10.6) Balance sheets of Futures Department

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

Jih Sun Securities Co., Ltd. — Futures Department

Balance Sheets

December 31, 2005 and 2004

<u>Assets</u>	<u>December 31, 2005</u>		<u>December 31, 2004</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Current Assets				
Cash and cash equivalents	\$ 1,248,322	68	\$ 1,151,466	65
Short-Term Investment, Net	-	-	8,782	-
Call options - speculation	27,830	2	12,783	1
Margin deposit	504,011	27	569,780	33
Other financial assets	226	-	5,229	-
Other current assets	80	-	172	-
	<u>1,780,469</u>	<u>97</u>	<u>1,748,212</u>	<u>99</u>
Fixed Assets				
Office equipment	198	-	197	-
Less: accumulated depreciation	<u>(170)</u>	<u>-</u>	<u>(142)</u>	<u>-</u>
Net	<u>28</u>	<u>-</u>	<u>55</u>	<u>-</u>
Other Assets				
Operating deposits	10,000	1	10,000	1
	40,000	2	-	-
Guarantee deposits paid	<u>-</u>	<u>-</u>	<u>3,000</u>	<u>-</u>
	<u>50,000</u>	<u>3</u>	<u>13,000</u>	<u>1</u>
Total Assets	<u>\$1,830,497</u>	<u>100</u>	<u>1,761,267</u>	<u>100</u>
<u>Liabilities and Stockholders' Equity</u>				
Current Liabilities				
Put options – speculation	\$ 89,325	5	9,604	1
Other current liabilities	<u>1,112</u>	<u>1</u>	<u>6,076</u>	<u>1</u>
	<u>90,437</u>	<u>6</u>	<u>15,680</u>	<u>2</u>
Total liabilities	<u>90,437</u>	<u>6</u>	<u>15,680</u>	<u>2</u>
Stockholders' Equity				
Assigned working capital	2,400,000	130	2,400,000	135
Retained earnings	<u>(659,940)</u>	<u>(36)</u>	<u>(654,413)</u>	<u>(37)</u>
Total stockholders' equity	<u>1,740,060</u>	<u>94</u>	<u>1,745,587</u>	<u>98</u>
Total Liabilities and Stockholders' Equity	<u>\$ 1,830,497</u>	<u>100</u>	<u>1,761,267</u>	<u>100</u>

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

(10.7) Statements of Income of Futures Department

Jih Sun Securities Co., Ltd. — Futures Department
Statements of Income
For the years ended December 31, 2005 and 2004

Items	2005		2004	
	Amount	%	Amount	%
Revenue				
Gain on futures contracts – speculation	\$ 284,350	96	-	-
Other operating income	-	-	5,960	50
Non-operating income	11,519	4	5,952	50
	<u>295,869</u>	<u>100</u>	<u>11,912</u>	<u>100</u>
Expense				
Handling charges – dealers	7,747	3	4,975	42
Loss on futures contracts – speculation	-	-	544,981	4,575
Clearing fee	8,647	3	8,023	67
Loss on option contracts – speculation	189,949	64	42,932	360
Operating expense	94,182	32	66,280	556
Other operating expense	307	-	-	-
Non-operating expense	194	-	106	1
	<u>301,026</u>	<u>102</u>	<u>667,297</u>	<u>5,601</u>
Income (loss) before income tax	(5,157)	(2)	(655,385)	(5,501)
Income tax benefit(expense)	(371)	-	972	8
Net income (loss)	<u>\$ (5,528)</u>	<u>(2)</u>	<u>(654,413)</u>	<u>(5,493)</u>

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

Condensed balance sheets

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

December 31, 2004

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

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

Condensed statements of income

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

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

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

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

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

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

(2) The Securities charged to the Bank:

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

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

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

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

(5) The Bank charged to the Securities:

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

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

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

(2) Paid with fixed amount.

(10.10) Information of Financial structure

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

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

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

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

Function Nature	2005			2004		
	Operating Expenses	Administrative Expenses	Total	Operating Expenses	Administrative Expenses	Total
Personnel Expense						
Salaries and Wages	\$ 1,151,039	2,653,646	3,804,685	1,144,151	2,257,180	3,401,331
Insurance	89,922	173,037	262,959	83,766	132,755	216,521
Pension Expenses	34,425	85,779	120,204	13,593	44,603	59,196
Other Expenses	55,722	86,591	142,313	46,907	72,899	119,806
Depreciation	124,389	411,490	535,879	106,725	320,440	427,165
Wastage	-	157,202	157,202	-	18,808	18,808
Amortizations	9,686	92,770	102,456	8,695	79,361	88,056

(10.12) The Bank, after a bidding procedure made on January 27, 2005, won the tender offer of NT6 billion dollars made by Taiwan Development & Trust Corporation to the Bank, thereby absorbing its trust department's operation, assets and liabilities excluding non performance loan, non operating real estate, foreclosed properties and exploitative assets. Until December 31, 2005, the operating and property conveyance agreement was compacted. Conveyance date and payday will be on August 6, 2005. As of August 6, 2005 the Bank has received NT5.35 billion dollars and received other obligations on February 3, 2006.

(10.13) Reclassification

Certain accounts in the 2004 financial statements have been reclassified for a comparative purpose.

11. SEGMENT FINANCIAL INFORMATION DISCLOSURE

2005	Securities	Warrants	Futures	Others	Financing	Adjustment	Total
Revenue-from customer	\$ 4,520,744	68,907	1,054,862	355,249	13,837,512	-	19,837,274
Revenue-the company and subsidiaries	42,248	-	-	-	1,875	(44,123)	-
Revenue-total	<u>\$ 4,562,992</u>	<u>68,907</u>	<u>1,054,862</u>	<u>355,249</u>	<u>13,839,387</u>	<u>(44,123)</u>	<u>19,837,274</u>
Segment income(loss)	<u>\$ 1,269,265</u>	<u>(16,955)</u>	<u>129,204</u>	<u>14,302</u>	<u>(5,055,282)</u>	<u>255,335</u>	(3,404,131)
Gain of investment							-
General expenses							(239,839)
Non-operating income (loss)-net							(639,053)
Income(loss)from continuing operations							<u>(4,283,023)</u>
Identifiable assets	<u>\$ 50,202,017</u>	<u>491,052</u>	<u>6,786,491</u>	<u>4,555,221</u>	<u>280,780,221</u>	<u>(8,152,699)</u>	334,662,303
Long-term equity investment							4,961,431
General assets							165,191
Total assets							<u>339,788,925</u>
Depreciation and amortization	<u>236,400</u>	<u>2,689</u>	<u>12,945</u>	<u>8,037</u>	<u>275,808</u>		
Capital deputation	<u>\$ 321,753</u>	<u>-</u>	<u>11,016</u>	<u>7,067</u>	<u>6,341,701</u>		
2004	Securities	Warrants	Futures	Financing	Adjustment	Total	
Revenue-from customer	\$ 4,789,797	1,293,163	807,195	12,107,770	-	18,997,925	

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

Revenue-the company and subsidiaries	97,643	-	17,700	725	(116,068)	-
Revenue-total	<u>\$ 4,887,440</u>	<u>1,293,163</u>	<u>824,895</u>	<u>12,108,495</u>	<u>(116,068)</u>	<u>18,997,925</u>
Segment income(loss)	<u>\$ 1,622,768</u>	<u>233,075</u>	<u>(511,886)</u>	<u>547,650</u>	<u>92,405</u>	1,984,012
Gain of investment						35,946
General expenses						(84,572)
Non-operating income (loss)-net						<u>67,910</u>
Income from continuing operations						<u>2,003,296</u>
Identifiable assets	<u>\$ 45,559,833</u>	<u>-</u>	<u>8,084,805</u>	<u>266,246,104</u>	<u>(3,788,742)</u>	316,102,000
Long-term equity investment						6,091,437
General assets						<u>657,771</u>
Total assets						<u>322,851,208</u>
Depreciation and amortization	<u>258,769</u>	<u>1,423</u>	<u>7,652</u>	<u>245,177</u>		
Capital depenture	<u>964,938</u>	<u>-</u>	<u>-</u>	<u>339,474</u>		