

SinoPac Holdings and Subsidiaries

**Consolidated Financial Statements for the Period from May 9, 2002
(Date of Establishment) to June 30, 2002**

Together with Independent Auditors' Report

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

English Translation of a Report Originally Issued in Chinese

Independent Auditors' Report

August 12, 2002

The Board of Directors and Stockholders
SinoPac Holdings

We have audited the consolidated balance sheet of SinoPac Holdings and Subsidiaries as of June 30, 2002, and the related consolidated statements of income, changes in stockholders' equity and cash flows for the period from May 9, 2002 to June 30, 2002. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

As stated in Note 11 to the consolidated financial statements, the carrying values of the long-term equity investments accounted for by the equity method as of June 30, 2002 amounted to NT\$3,708,328 thousand and the related investment income NT\$120,450 thousand (of which NT\$23,430 thousand was stated as income from long-term equity investments for the period May 9, 2002 to June 30, 2002 and NT\$97,020 thousand was stated as additional paid-in capital resulting from stock conversion as of May 9, 2002) and additional disclosures of the Company and its affiliates stated in Note 39 to the consolidated financial statements, are based on the investees' unaudited financial statements.

In our opinion, except for the effects of such adjustments, if any, as might have been disclosed had we applied auditing procedures to the financial statements of the investee companies as explained in the foregoing paragraph, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of SinoPac Holdings and Subsidiaries as of June 30, 2002, and the results of its operations and its cash flows for the period from May 9, 2002 to June 30, 2002, in conformity with Guidelines for Securities Issuers' Financial Reporting and accounting principles generally accepted in the Republic of China.

Notice to Readers

The accompanying financial statements are intended only to present the financial position, results of operations and cash flows in accordance with 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 of Financial Statements Originally Issued in Chinese

SINOPAC HOLDINGS AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

June 30, 2002

(Amounts Expressed in Thousands of New Taiwan Dollars, Except Par Value of Capital Stock)

| <u>A S S E T S</u> | <u>Amount</u> | <u>%</u> | <u>LIABILITIES AND STOCKHOLDERS' EQUITY</u> | <u>Amount</u> | <u>%</u> |
|--|-----------------------|------------|---|-----------------------|------------|
| CASH (Note 4) | \$ 54,141,094 | 13 | LIABILITIES | | |
| DUE FROM BANKS | 22,679,123 | 6 | Short-term borrowings (Notes 14 and 30) | \$ 9,263,194 | 3 |
| DUE FROM CENTRAL BANK (Note 5) | 9,461,956 | 2 | Securities sold under agreements to repurchase (Notes 2, 15 and 29) | 21,519,947 | 5 |
| SECURITIES - DEALING AND UNDERWRITING (Notes 2, 6 and 30) | 15,906,120 | 4 | Call loans and due to banks | 52,004,014 | 13 |
| SECURITIES PURCHASED - NET (Notes 2, 7 and 29) | 41,801,724 | 10 | Liabilities for stock warrants issued (Notes 2 and 16) | 70,950 | - |
| SECURITIES PURCHASED UNDER AGREEMENTS TO RESELL (Notes 2, 8 and 29) | 8,300,040 | 2 | Repurchased stock warrants (Notes 2 and 17) | (23,785) | - |
| ACCEPTANCES | 751,985 | - | Acceptances payable | 751,985 | - |
| ACCOUNTS, INTEREST AND OTHER RECEIVABLES - NET (Notes 2, 9 and 29) | 23,615,989 | 6 | Accounts, interest and other payables (Note 18) | 11,098,404 | 3 |
| PREPAID EXPENSES (Notes 2 and 29) | 360,747 | - | Deposits and remittances (Notes 19 and 29) | 262,212,039 | 64 |
| LOANS, DISCOUNTS AND BILLS PURCHASED - NET (Notes 2, 10 and 29) | 205,732,813 | 50 | Bank debentures (Note 20) | 5,000,000 | 1 |
| LONG-TERM INVESTMENTS - NET (Notes 2 and 11) | 6,601,894 | 2 | Other liabilities (Notes 2 and 27) | 5,204,226 | 1 |
| PROPERTIES (Notes 2, 12, 29 and 30) | | | Total Liabilities | <u>367,100,974</u> | <u>90</u> |
| Cost | | | STOCKHOLDERS' EQUITY | | |
| Land | 3,366,940 | 1 | Capital stock, \$10 par value | | |
| Buildings | 2,973,245 | 1 | Authorized - 10,000,000,000 shares | | |
| Computer equipment | 2,196,478 | 1 | Issued - 3,538,352,487 shares | 35,383,525 | 9 |
| Transportation equipment | 62,144 | - | Reserve for capitalization | 2,097,745 | - |
| Office and other equipment | 2,051,591 | - | Capital surplus | 9,056,295 | 2 |
| Total Cost | <u>10,650,398</u> | <u>3</u> | Retained earnings | 416,465 | - |
| Accumulated depreciation | <u>2,897,212</u> | <u>1</u> | Unrealized loss on long-term equity investments | (324,396) | - |
| Advances on acquisitions of equipment and construction in progress (Note 12) | <u>213,790</u> | <u>-</u> | Unrealized revaluation loss | (41,544) | - |
| Net Properties | <u>7,966,976</u> | <u>2</u> | Cumulative translation adjustment | 197,352 | - |
| OTHER ASSETS (Notes 2, 13, 29 and 30) | <u>12,613,687</u> | <u>3</u> | Treasury stock - at cost: 299,582,305 shares | (3,952,268) | (1) |
| TOTAL ASSETS | <u>\$ 409,934,148</u> | <u>100</u> | Total Stockholders' Equity | <u>42,833,174</u> | <u>10</u> |
| | | | CONTINGENCIES AND COMMITMENTS (Notes 31 and 36) | | |
| | | | TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY | <u>\$ 409,934,148</u> | <u>100</u> |

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

(With T N Soong & Co report dated August 12, 2002)

English Translation of Financial Statements Originally Issued in Chinese

SINOPAC HOLDINGS AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF INCOME

For the Period from May 9, 2002 (Date of Establishment) to June 30, 2002

(Amounts Expressed in Thousands of New Taiwan Dollars, Except Earnings Per Share)

| | <u>Amount</u> | <u>%</u> |
|--|----------------------|--------------|
| OPERATING REVENUES | | |
| Interest (Notes 2, 10 and 29) | \$ 7,989,445 | 62 |
| Service fees (Notes 2, 23 and 29) | 2,261,564 | 18 |
| Income from securities - net (Note 24) | 1,749,556 | 14 |
| Income from long-term equity investments - net (Notes 2 and 11) | 265,533 | 2 |
| Foreign exchange gain - net | 168,388 | 1 |
| Other (Note 29) | <u>453,794</u> | <u>3</u> |
| Total Operating Revenues | <u>12,888,280</u> | <u>100</u> |
| OPERATING EXPENSES | | |
| Interest | 4,218,961 | 33 |
| Service charges | 190,962 | 1 |
| Provision for credit losses (Notes 2 and 10) | 702,520 | 5 |
| Operating and administrative expenses (Notes 25, 26 and 29) | 4,555,515 | 36 |
| Other | <u>83,744</u> | <u>-</u> |
| Total Operating Expenses | <u>9,751,702</u> | <u>75</u> |
| OPERATING INCOME | <u>3,136,578</u> | <u>25</u> |
| NON-OPERATING INCOME (EXPENSES) | | |
| Income (Note 29) | 75,268 | - |
| Expenses | (<u>128,119</u>) | (<u>1</u>) |
| Non-Operating Expenses - Net | (<u>52,851</u>) | (<u>1</u>) |
| INCOME BEFORE INCOME TAX FOR THE SIX MONTHS ENDED JUNE 30, 2002 | 3,083,727 | 24 |
| INCOME TAX (Notes 2 and 27) | <u>706,338</u> | (<u>6</u>) |
| NET INCOME FOR THE SIX MONTHS ENDED JUNE 30, 2002 | 2,377,389 | 18 |
| NET INCOME FROM SUBSIDIARIES FOR THE PERIOD FROM JANUARY 1, 2002 TO MAY 8, 2002 | (<u>1,952,668</u>) | <u>15</u> |
| CONSOLIDATED NET INCOME FOR THE PERIOD FROM MAY 9, 2002 TO JUNE 30, 2002 | <u>\$ 424,721</u> | <u>3</u> |

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| | <u>Pre-tax</u> | <u>After tax</u> |
|------------------------------|----------------|------------------|
| EARNINGS PER SHARE (Note 28) | | |
| Basic earnings per share | <u>\$ 0.13</u> | <u>\$ 0.13</u> |

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

(With T N Soong & Co report dated August 12, 2002)

SINOPAC HOLDINGS AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY
For the Period from May 9, 2002 (Date of Establishment) to June 30, 2002
(Amounts Expressed in Thousands of New Taiwan Dollars, Except Dividends Per Share)

| | CAPITAL STOCK (Note 21) | | RESERVE FOR CAPITALIZATION (Note 21) | CAPITAL SURPLUS (Notes 2 and 21) | | | | | | | RETAINED EARNINGS (Note 21) | | | | UNREALIZED LOSS ON LONG-TERM EQUITY INVESTMENTS (Notes 2 and 11) | UNREALIZED REVALUATION LOSS (Notes 2 and 11) | CUMULATIVE TRANSLATION ADJUSTMENT (Notes 2 and 11) | TREASURY STOCK (Notes 2 and 22) | TOTAL STOCKHOLDERS' EQUITY |
|---|-------------------------|---------------------|--------------------------------------|--|---|---|--------------------------------|-----------------|--------------|---------------------|-----------------------------|-----------------|-------------------|-------------------|--|--|--|---------------------------------|----------------------------|
| | Shares | Amount (Note 21) | | Additional Paid-in Capital Prior to Stock Conversion | Additional Paid-in Capital after Stock Conversion | Capital Surplus from Merger of Business | Gain on Disposal of Properties | Donated Capital | Other | Total | Legal Reserve | Special Reserve | Unappropriated | Total | | | | | |
| | | | | | | | | | | | | | | | | | | | |
| BALANCE, JANUARY 1, 2002 | 3,538,352.487 | \$35,383,525 | \$ - | \$ - | \$709,777 | \$773,040 | \$ 21,866 | \$ 83 | \$3,212 | \$ 1,507,978 | \$3,290,784 | \$1,787,268 | \$2,945,697 | \$8,023,749 | (\$302,532) | (\$35,746) | \$346,735 | (\$1,317,663) | \$43,606,046 |
| Appropriation of subsidiaries for 2001 earnings | | | | | | | | | | | | | | | | | | | |
| Legal reserve | - | - | - | - | - | - | - | - | - | - | 590,001 | - | (590,001) | - | - | - | - | - | - |
| Special reserve | - | - | - | - | - | - | - | - | - | - | - | 267,940 | (267,940) | - | - | - | - | - | - |
| Bonus to employees | - | - | - | - | - | - | - | - | - | - | - | - | (248,547) | (248,547) | - | - | - | - | (248,547) |
| Remuneration to directors and supervisors | - | - | - | - | - | - | - | - | - | - | - | - | (69,423) | (69,423) | - | - | - | - | (69,423) |
| Reversal of special reserve appropriated equivalent to the debit balance of accounts in stockholders' equity from subsidiaries | - | - | - | - | - | - | - | - | - | - | - | (5,536) | 5,536 | - | - | - | - | - | - |
| Transfer capital surplus from gain on disposal of properties to unappropriated earnings from subsidiaries | - | - | - | - | - | - | (5,376) | - | (5,376) | - | - | - | 5,376 | 5,376 | - | - | - | - | - |
| Unrealized loss on long-term equity investments recognized from investees under the equity method | - | - | - | - | - | - | - | - | - | - | - | - | - | (23,390) | - | - | - | - | (23,390) |
| Change in translation adjustment on long-term equity investments from subsidiaries | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 46,934 | - | - | 46,934 |
| Reissued treasury stock to employees from subsidiaries | - | - | - | - | - | - | - | - | - | - | - | (12,385) | (12,385) | - | - | - | 262,317 | - | 249,932 |
| Net income from subsidiaries for the period from January 1, 2002 to May 8, 2002 | - | - | - | - | - | - | - | - | - | - | - | - | 1,952,668 | 1,952,668 | - | - | - | - | 1,952,668 |
| Reclassification of shares held by subsidiaries to treasury stocks | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | (2,896,922) | (2,896,922) | - |
| Reclassification of stock conversion between the Company and its subsidiaries | - | - | - | 11,154,040 | (709,777) | (773,040) | (16,490) | (83) | (3,212) | 9,651,438 | (3,880,785) | (2,049,672) | (3,720,981) | (9,651,438) | - | - | - | - | - |
| BALANCE, MAY 9, 2002 | 3,538,352.487 | 35,383,525 | - | 11,154,040 | - | - | - | - | - | 11,154,040 | - | - | - | - | (325,922) | (35,746) | 393,669 | (3,952,268) | 42,617,298 |
| Capitalization of capital surplus | - | - | 2,097,745 | (2,097,745) | - | - | - | - | (2,097,745) | - | - | - | - | - | - | - | - | - | - |
| Consolidated net income for the period from May 9, 2002 to June 30, 2002 | - | - | - | - | - | - | - | - | - | - | - | - | 424,721 | 424,721 | - | - | - | - | 424,721 |
| Adjustment related to the difference between the Company's equity in the net assets of the investees and the carrying value of the long-term equity investments | - | - | - | - | - | - | - | - | - | - | - | (8,256) | (8,256) | - | - | - | - | - | (8,256) |
| Unrealized loss on long-term equity investments | - | - | - | - | - | - | - | - | - | - | - | - | - | 1,526 | - | - | - | - | 1,526 |
| Unrealized revaluation loss recognized from investees under the equity method | - | - | - | - | - | - | - | - | - | - | - | - | - | - | (5,798) | - | - | - | (5,798) |
| Change in translation adjustment on long-term equity investments | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | (196,317) | - | - | (196,317) |
| BALANCE, JUNE 30, 2002 | <u>3,538,352.487</u> | <u>\$35,383,525</u> | <u>\$2,097,745</u> | <u>\$ 9,056,295</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 9,056,295</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 416,465</u> | <u>\$ 416,465</u> | <u>(\$324,396)</u> | <u>(\$41,544)</u> | <u>\$197,352</u> | <u>(\$3,952,268)</u> | <u>\$42,833,174</u> |

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

(With T N Soong & Co report dated August 12, 2002)

English Translation of Financial Statements Originally Issued in Chinese

SINOPAC HOLDINGS AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Period from May 9, 2002 (Date of Establishment) to June 30, 2002

(Amounts Expressed in Thousands of New Taiwan Dollars)

| | <u>Amount</u> |
|---|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | |
| Consolidated net income for the period from May 9, 2002 to June 30, 2002 | \$ 424,721 |
| Net income from subsidiaries for the period from January 1, 2002 to May 8, 2002 | <u>1,952,668</u> |
| Net income for the six months ended June 30, 2002 | 2,377,389 |
| Adjustments to reconcile net income to net cash used in operating activities | |
| Depreciation and amortization | 442,972 |
| Provision for credit losses, losses on guarantees and loss reserves | 699,065 |
| Provision for allowance for decline in market value of securities purchased | 11,557 |
| Provision for decline in market value of securities - dealing and underwriting | 64,226 |
| Realized loss on long-term equity investment | 527 |
| Loss on disposal of properties - net | 12,335 |
| Income from long-term equity investments - net | (246,601) |
| Cash dividends received from investees accounted for under equity method | 26,865 |
| Gain on sale of long-term equity investments | (5,171) |
| Gain on warrants issued - net | (171,509) |
| Accrued pension cost | 82,491 |
| Deferred income taxes | 39,829 |
| Increase in securities purchased - for trading purposes | (5,152,635) |
| Increase in securities - dealing and underwriting | (1,886,342) |
| Decrease in securities purchased under agreements to resell | 301,402 |
| Increase in accounts, interest and other receivables | (1,475,002) |
| Decrease in prepaid expenses | 564,088 |
| Increase in securities sold under agreements to repurchase | 1,848,144 |
| Increase in liabilities for stock warrants issued | 145,754 |
| Increase in repurchase of warrants issued | (69,708) |
| Increase in accounts, interest and other payables | <u>865,452</u> |
| Net Cash Used in Operating Activities | <u>(1,524,872)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | |
| Decrease in due from banks | 18,330,130 |
| Increase in due from Central Bank | (2,264,273) |
| Increase in securities purchased - for investing purposes | (3,539,126) |
| Increase in loans, discounts and bills purchased | (14,117,314) |
| Acquisition of properties | (328,007) |
| Increase in long-term equity investments | (265,706) |
| Increase in long-term bond investments | (223,022) |

(Forward)

English Translation of Financial Statements Originally Issued in Chinese

| | <u>Amount</u> |
|--|----------------------|
| Proceeds from sales of long-term equity investments | \$ 19,251 |
| Proceeds from sale of properties | 33,202 |
| Increase in other assets | (<u>1,015,304</u>) |
| Net Cash Used in Investing Activities | (<u>3,370,169</u>) |
| | |
| CASH FLOWS FROM FINANCING ACTIVITIES | |
| Increase in short-term borrowings | 5,154,949 |
| Increase in call loans and due to banks | 24,752,595 |
| Increase in deposits and remittances | 12,700,816 |
| Decrease in other liabilities | (1,119,592) |
| Remuneration to directors, supervisors and bonus to employees | (317,970) |
| Proceeds from reissuing treasury stock to employees | <u>74,125</u> |
| Net Cash Provided by Financing Activities | <u>41,244,923</u> |
| | |
| INCREASE IN CASH | 36,349,882 |
| | |
| CASH, BEGINNING OF PERIOD | <u>17,791,212</u> |
| | |
| CASH, END OF PERIOD | <u>\$54,141,094</u> |
| | |
| SUPPLEMENTAL INFORMATION | |
| Interest paid | <u>\$ 5,143,672</u> |
| Income tax paid | <u>\$ 311,273</u> |
| | |
| NON-CASH INVESTING AND FINANCING ACTIVITIES | |
| Proceeds from reissuing treasury stock to employees prior to the beginning of period | <u>\$ 175,808</u> |
| Cash dividends received from investees accounted for by the equity method | <u>\$ 1,798,372</u> |
| Reclassification of shares held by Bank SinoPac to treasury stocks | <u>\$ 2,896,922</u> |

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

(With T N Soong & Co report dated August 12, 2002)

SINOPAC HOLDINGS AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Amounts Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Stated)

1. ORGANIZATION AND OPERATIONS

SinoPac Holdings (the Company) was established by Bank SinoPac, SinoPac Securities Corporation (the "SinoPac Securities", formerly National Securities Corporation, NSC) and SinoPac Securities Co., Ltd. (the "SPS") through the stock conversion on May 9, 2002, pursuant to the Financial Holding Company Law and other related regulations. Bank SinoPac, the NSC and the SPS exchanged stocks with the Company at ratios of 1:1.0267130836, 1:1.0098971566 and 1:0.7968960296, respectively. Thus, the Bank SinoPac, the NSC and the SPS became the wholly owned subsidiaries of the Company since May 9, 2002. As of May 9, 2002, shares of Bank SinoPac and SinoPac Securities (formerly NSC) have been ceased trading in Taiwan Stock Exchange (TSE), and the Over-the-Counter Securities Exchange (OTC Exchange), respectively, while SinoPac Holdings became listed in TSE instead.

The Company is engaged in investing and managing the businesses related to the financial institutions.

Bank SinoPac obtained government approval to incorporate on August 8, 1991, and commenced operations on January 28, 1992. The Bank is engaged in commercial banking, trust, and foreign exchange operations as prescribed by the Banking Law.

As of June 30, 2002, Bank SinoPac's operating units include Banking, Trust, International Division of the Head Office, an Offshore Banking Unit (OBU), forty-two domestic branches, one overseas branch and two overseas representative offices.

The operations of the Bank SinoPac's Trust Department consist of: (1) planning, managing and operating of trust business; (2) custodianship of non-discretionary trust fund in domestic and overseas securities and mutual funds. The foregoing operations are regulated under the Banking Law and Trust Law.

SinoPac Securities (formerly NSC) was established on October 11, 1988 and started operations on November 8, 1988. It engages in transactions involving marketable securities such as: (a) underwriting, dealing (securities and futures) and brokerage, (b) financing the acquisition and short-sales by customers, (c) trading foreign securities on behalf of customers, and (d) assistance activities in futures trading. As of June 30, 2002, the SinoPac Securities has thirty-nine branches in operation.

SPS was established in December 1996, and commenced its operation on March 28, 1997. SPS is primarily engaged in the underwriting, dealing, brokerage, stock loans, financing purchases of securities, trading foreign securities on behalf of customers, and issuing stock warrants. As of June 30, 2002, SPS has six branches.

SinoPac Securities (formerly NSC) was merged with SPS on July 22, 2002 with SinoPac Securities as the surviving entity after a decision reached by the Board of Directors of the two companies on May 9, 2002. 1.2672884782 shares of the common stocks of SPS were exchanged for each share of common stock of SinoPac Securities.

2. SIGNIFICANT ACCOUNTING POLICIES

The Company's significant accounting policies, which conform to accounting principles generally accepted in the Republic of China (the ROC), are summarized below:

Consolidation

The consolidated financial statements include the accounts of the SinoPac Holdings and its subsidiaries, Bank SinoPac, as consolidated with SinoPac Bancorp and its subsidiaries Far East National Bank (FENB), SinoPac Securities (formerly NSC) and SPS, as consolidated with SinoPac Asset Management Corp. (B.V.I.) and its subsidiaries, SPS HK and SP Asset Management Corp. (B.V.I.), (the Company, thereafter). All significant inter-company accounts and transactions have been eliminated in consolidation.

The operating revenues and total assets of the other subsidiaries - SinoPac Leasing Corporation, SinoPac Capital Limited, SinoPac Financial Consulting Co., Ltd., SinoPac Life Insurance Agent Co., Ltd., SinoPac Property Insurance Agent Co., Ltd., SinoPac Futures Corp. (formerly National Futures Corp.), SPS (Cayman) Holding Ltd. (formerly NSC (Cayman) Holding Ltd.) and SPS Investment Consulting Co., Ltd. (formerly Wang Shen Securities Investment Consulting Co., Ltd.) - are individually less than 10%, and are in aggregate less than 30%, of those of the Company. Accordingly, their accounts were not included in consolidation.

Securities purchased

Securities purchased include short-term bills, stocks, beneficiary certificates and bonds.

Short-term bills are stated at cost (which approximates market value). Cost of short-term bills sold is determined using the specific identification method by SinoPac Holdings and Bank SinoPac, weighed-average method by SinoPac Securities (formerly NSC) and moving-average method by SPS, respectively. Stocks, beneficiary certificates and bonds are stated at the lower of cost or market. Cost of securities other than short-term bills sold is determined using the moving-average method. Market prices are determined as follows: (a) listed stocks - average daily closing prices for the last month of the accounting period; (b) beneficiary certificates (open-end fund) - net asset values at the balance sheet dates; (c) over-the-counter stocks - average daily closing prices for the last month of the accounting period, published by the OTC Exchange; and (d) bonds - period-end reference prices published by the OTC Exchange.

For applying the lower of cost or market method, the SinoPac Holdings shares held by the Bank SinoPac should be evaluated separately from the other listed stocks held by the Bank SinoPac pursuant to the accounting principles generally accepted in the R.O.C.

Securities - dealing and underwriting

Except emerging stocks are carried at cost, securities are carried at the lower of cost or market. Market prices are determined as follows: (a) listed securities - the closing prices at the balance sheet dates; (b) over-the-counter stocks and corporate bonds - period-end reference prices published by the OTC Exchange. Allowance for decline in market value is provided for the excess of the total cost of the securities over their market value. The allowance can be reversed within the allowance had been provided when the market value subsequently recovers. Cost of these securities sold is determined by the moving-average method.

Securities - hedge positions for stock warrants

Securities held for the hedging of stock warrants issued are recorded at purchase cost or, if such securities for hedging are transferred from other account, at lower of cost or market value upon transfer. Allowance for decline in market value is provided for the excess of total cost of the securities over their market value. Any recovery of the market value of the securities to the extent of their original carrying value is recognized as income. Cost of these securities sold is determined by the moving-average method.

Liabilities for stock warrants issued

When warrants are issued, the aggregate issue prices of warrants are recognized as "Liabilities for stock warrants issued". When warrants are repurchased from the market, the aggregate cost of repurchase is accounted for as "Repurchased stock warrants", a contra-account of "Liabilities for stock warrants issued". As of the balance sheet dates, the carrying amounts of the foregoing accounts are stated as market values. When the carrying value differs from the market value for both foregoing account, 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. However, loss on revaluation of liabilities for stock warrants issued is deferred when it is less than the unrealized gain on the related hedging securities; the excess of revaluation loss over unrealized gain on hedging securities is charged to current income. Cost of stock warrants resold is determined by the moving-average method; any resulting gain or loss is credited or charged to "gain (or loss) on revaluation of repurchased stock warrants".

When the warrants are exercised, the gains or losses resulting from difference between the market value of underlying stock and the sum of the total of exercise price and market value of warrant are recognized as "gain or losses on warrant exercised". The delivery underlying stock is accounted for as outright sale with the market values. Proceeds received are recorded as revenue and cost of securities sold is determined using the moving-average method.

Securities purchased under agreements to resell and securities sold under agreements to repurchase

Except for Bank SinoPac, sales and purchases of bonds and short-term bills under agreements to repurchase or resell for the Company are stated at cost. The difference between the original purchase cost (or sale price) and the contracted resale (or repurchase) amount is recognized as interest income (or interest expense) except for Bank SinoPac.

For Bank SinoPac, securities purchased under agreements to resell and securities sold under agreements to repurchase are treated as outright sales and purchases pursuant to a directive issued by the Ministry of Finance (MOF).

Margin loans and stock loans

Margin loans represent pecuniary financing to customers. Margin loans receivable represents the margin given to customers to purchase securities. These loans are secured by securities purchased by customers that are recorded with memo entries as “collateral securities”. The collateral securities will be returned upon repayment of such loans.

When the collateral in an investor’s account is lower than the pre-agreed level and an investor fails to maintain to such level, this collateral will be disposed by the Company. In cases where the proceeds from the disposal of collateral security is not sufficient to cover the balance of the loan and the investor is unable to timely settle the deficiency on a timely basis, the balance will be reclassified to “Accounts receivable in dunning process” account. In cases when the collateral security cannot be sold in the open market, the balance of the loan will be transferred to the account, “other receivables” or “accounts receivable in dunning process” with appropriate allowance for bad debt recognized based on an estimated amount collectible.

Stock loans represent lending securities to customers for short-sales. The deposits received from customers for borrowing securities are credited to “deposits on short sale”. The securities short sold are recorded with memo entries as “stock loans”. The proceeds from sales of securities borrowed by customers less any dealer’s commission, financing charges and securities exchange tax are recorded to “short sales proceeds payable”.

The refinancing of margin securities with securities finance company are recorded as “loan from refinanced margin”. A portion of the proceeds from short-sales of securities borrowed from securities finance companies is retained by the securities company as collateral and is recorded as “refinancing deposits receivable”.

Non-performing loans

The balance of loans and other credits extended by the Company and the related accrued interest thereon are classified as non-performing when the loan is six months overdue pursuant to guidelines issued by the MOF and, upon approval by the board of directors, those loans which are less than six months overdue will also be classified as non-performing.

Provisions for bad debts

In determining the allowance for credit losses, the Company evaluates the collectability of its loan portfolio and credit guarantees based on its borrowers’/clients’ payment history and the related loan classification as non-performing, in accordance with “The Rules for Bank Overdue Receivables and Bad Debts” issued by the MOF.

Write-offs of specific loans under MOF guidelines, upon approved by the board of directors, are offset against the recorded allowance for loan losses.

Long-term equity investments

Pursuant to a directive issued by the Accounting Research and Development Foundation of R.O.C., a financial holding company should treat the net worth of the investees as paid in capital if the holding company is incorporated through the stock conversion. The issued stock by the holding company is accounted for as capital stock, while the excess of the par value is accounted for as additional paid-in capital.

Long-term equity investments are accounted for by the equity method if the Company has significant influence over the investees. Investments accounted for by the equity method are stated at cost plus (or minus) a proportionate share in net earnings (losses) or changes in net worth of the investees. Any difference between the acquisition cost and the equity of the investee acquired at the time of investment is amortized over 15 years and 5 years by Bank SinoPac and SinoPac Securities (formerly NSC), respectively. Long-term equity investments are accounted for by the cost method if the Company does not have significant influence over the investees. Stock dividends result only in an increase in number of shares and are not recognized as investment income.

If an investee issues new shares and the Company does not purchase new shares proportionately, then the investment percentage, and therefore the equity in net assets for the investment, will be changed. Such difference shall be used to adjust the additional paid-in capital and the long-term equity investment. If the carrying value of additional paid-in capital from long-term equity investment is not enough to be offset, then the difference shall be debited to the retained earnings.

For listed and over-the-counter stocks accounted for by the cost method, when the aggregate market value is lower than the total carrying value, an allowance for market value decline is provided and the unrealized loss is charged against stockholders' equity. If a decline in the value of an investment in unlisted stock is considered as permanent loss, the decline is charged to current income.

Cost of equity investment sold is determined by the weighted-average method.

Long-term bond investments

These consist of corporate bonds and government bonds, which are recorded at cost and adjusted for amortization of premiums or discounts. Cost of bonds sold is calculated by the moving-average method.

Properties

Properties are stated at cost less accumulated depreciation. Major renewals and betterments are capitalized, while repairs and maintenance are expensed as incurred.

Upon sale or disposal of properties, their cost and related accumulated depreciation are removed from the respective accounts. Any resulting gain (loss) is credited (charged) to current income.

The gain on disposal of properties is not required to be transferred to capital surplus any more starting the year of 2001 according to the amendment of Company Law. The gain on disposal of properties for the year 2001, occurred before such amendment, has been transferred to capital surplus at the end of year, net of the applicable income tax. In compliance with related regulations, the aforementioned capital surplus has been reversed to retained earnings before June 30, 2002.

Depreciation is calculated by the straight-line method based on estimated service lives which range as follows: Buildings, 8 to 60 years; computer equipment, 3 to 5 years; transportation equipment, 5 years; office and other equipment, 3 to 15 years; property held for lease, 2 to 55 years; leasehold improvements, 5 years. For assets still in use beyond their original estimated service lives, further depreciation is calculated on the basis of the estimated additional service lives.

Intangible assets

Intangible assets (included in other assets), mainly comprised of goodwill, are amortized on the straight-line basis over 15 years.

Deferred charges (included in other assets), which include acquiring operating rights, computer software, network construction and housing renovations, are capitalized and amortized over five years.

Collaterals assumed

Collaterals assumed are recorded at cost (included in other assets) and revalued by the lower of cost or net realizable value as of the balance sheet dates.

Securities brokerage accounts

Securities brokerage accounts pertain to unsettled brokerage transactions. Under the ROC Standards of Financial Reporting for Securities Firms, the unsettled brokerage transactions should be recorded as debit accounts (including cash in bank - settlement, accounts receivable - customers' purchases, net exchange clearing receivable, margin transaction, and accounts receivable - settlement) and credit accounts (including accounts payable - customers' sales, net exchange clearing payable, margin transaction, and accounts payable - settlement), and presented in the financial statements at net amounts.

Provision for losses on guarantees

Provisions for losses on guarantees and acceptances (included in other liabilities) are provided based on a review of their collectibility.

Default reserve

According to SFC regulations, the Company provides monthly a default reserve equal to 0.0028% of the traded volume of securities it brokered, until the accumulated reserve reaches \$200,000. This reserve is used only to offset actual losses resulting from customers' defaults or other losses approved by the Securities and Futures Commission (SFC).

Trade reserve

The Company recognized provisions for trading losses, as required under existing regulation, at an amount equal to 10% of the monthly net gain on sale of securities. The related reserve for trading losses is debited only for actual losses incurred on operations related to dealings of securities.

Allowance for bad debts

Allowance for bad debts is provided on the basis of a review of the estimated collectibility of accounts receivables, other receivables and accounts receivable in dunning process. After the required allowance is fully provided, SinoPac Securities (formerly NSC) and SPS provide additional allowance for bad debts in order to save 3% of the value-added tax which should be paid to tax authority.

Derivative financial instruments

a. Foreign exchange forward contracts

Foreign-currency assets and liabilities arising from forward exchange contracts, which are mainly to accommodate customers' needs or to manage the Company's currency positions, are recorded at the contracted forward rates. Gains or losses arising from the differences between the contracted forward rates and spot rates at settlement are credited or charged to current income. For contracts outstanding as of the balance sheet dates, the gains or losses arising from the differences between the contracted forward rates and the forward rates available for the remaining maturities of the contracts are credited or charged to current income. Receivables arising from forward exchange contracts are offset against related payables as of the balance sheet dates.

b. Forward rate agreements

Forward rate agreements, which are mainly to accommodate customers' needs or to manage the Company's currency positions, are recorded by memorandum entries at the contract dates. Gains or losses arising from the differences between the contracted interest rates and actual interest rates upon settlement or as of the balance sheet dates are credited or charged to current income.

c. Currency swap contracts

Foreign-currency spot-position assets or liabilities arising from currency swap contracts, which are mainly to accommodate customers' needs or to manage the Company's currency positions, are recorded at spot rates when the transactions occur, while the corresponding forward-position assets or liabilities are recorded at the contracted forward rates; with receivables netted against the related payables.

The related discount or premium is amortized by the straight-line basis over the contract period.

d. Cross currency swap

Cross Currency Swap contracts, which are intended for hedging purpose, are recorded at spot rates of the contract dates. The net interest upon each settlement is recorded as adjustment to the revenue or expense associated with the item being hedged.

e. Options

Options bought and/or held and options written, which are mainly to accommodate customers' needs or to manage the Company's currency positions, are recorded as assets and liabilities when the transactions occur. These instruments are marked to market as of the balance sheet dates. The carrying values of the instruments, which are recovered either as assets or liabilities, are charged to income when they are not exercised. Gains or losses on the exercise of options are also included in income.

f. Interest rate swaps

Interest rate swaps, which do not involve exchanges of the notional principals, are not recognized as either assets and/or liabilities on the contract dates. The swaps were entered into to accommodate customers' needs or to manage the Company's interest rate positions. The interest received or paid at each settlement date are recognized as interest income or expense. The instruments are marked to market as of the balance sheet dates.

g. Asset swaps

Asset swaps involve exchanging the fixed rate interest of convertible bonds, bank debentures for floating rate interest; in addition, asset swaps also involve exchanging the fixed or floating interest rate of credit link notes for floating or fixed rate interest. These transactions are recorded by memorandum entries at the contract dates. Asset swaps are entered into for hedging purposes; they are used to hedge interest rate exposure in convertible bonds, bank debentures and credit link notes denominated in foreign currency. Net interest upon each settlement or balance sheet date are recorded as adjustments to interest revenue or expenses associated with the bonds or notes being hedged.

h. Futures

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

Recognition of interest revenue and service fees

Interest revenue on loans is recorded using the accrual method. No interest revenue is recognized in the accompanying financial statements on loans and other credits extended by the Company that are classified as non-performing loans. The interest revenue on those loans/credits is recognized upon collection.

Pursuant to the regulations of the MOF, the interest revenue on credits covered by agreements that extend their maturity is recognized upon collection.

Service fees are recorded as income upon receipt and substantial completion of activities involved in the earnings process.

Pension

Pension expense is determined based on actuarial calculations.

Income tax

Interperiod income tax allocation is applied, whereby the tax effects of taxable temporary differences are recognized as deferred tax liabilities, and the tax effects of deductible temporary differences and unused investment tax credits are recognized as deferred tax assets. A valuation allowance is provided for deferred income tax assets that are not certain to be realized.

A deferred tax asset or liability is classified as current or non-current according to the classification of its related asset or liability. However, if a deferred asset or liability cannot be related to an asset or a liability in the financial statements, it is classified as current or non-current based on the expected reversal date of temporary difference.

Adjustments of prior years' tax liabilities are included in the current year's tax provision.

Tax credits, generated from acquisitions of equipment or technology, research and development expenditure, personnel training expenditure and equity investments acquisition, are accounted for by the flow-through method.

Income taxes (10%) on unappropriated earnings is recorded as income tax in the year when the shareholders resolve the appropriation of earnings.

Contingencies

A loss is recognized when it is probable that an asset has been impaired or a liability has been incurred and the amount of loss can be reasonably estimated. If the amount of the loss cannot be reasonably estimated and the loss is possible and remote, the related information is disclosed in the financial statements.

Foreign-currency transactions

The Company records foreign-currency transactions in the respective currencies in which these are denominated. Foreign-currency denominated income and expenses are translated into New Taiwan dollars at month end at spot rates. Foreign-currency assets and liabilities are translated into New Taiwan dollars at closing rates as of balance sheet dates. Realized and unrealized foreign exchange gains or losses are credited or charged to current income. Gains or losses resulting from restatement of period-end foreign-currency denominated long-term equity investments accounted for by the equity method are credited or charged to "cumulative translation adjustment" under stockholders' equity. For long-term equity investments accounted for by the cost method - unrealized loss offset the balance of long-term equity investments and credited to "cumulative translation adjustment" under stockholders' equity.

Treasury stock

Capital stock acquired is carried at cost and presented as a separate deduction from stockholders' equity. The treasury stocks acquired are to be reissued to employees. The reissuance of the treasury stocks are accounted for as follows: (a) reissue price higher than the acquisition cost - the excess is credited to paid-in capital on treasury stock; and (b) reissue price less than the acquisition cost - initially charged to paid-in capital on treasury stock with any remaining deficiency charged to retained earnings.

Pursuant to a directive issued by the SFC, the financial institution, which repurchased its own capital stock pursuant to the Securities and Exchange Law, and become a wholly owned subsidiary of a financial holding company resulting in its treasury stocks converted to stocks of the financial holding company, presents the shares in the financial holding company as treasury stock. The financial holding company also presents the shares it issued in exchange for those capital stock as treasury stock. In cases that shares of the financial institutions with the same financial holding company were held among each other prior to the share swap, these shares, after the swap, are stated as equity investments and the financial holding company maintain such accounting treatment up to December 31, 2002. However, the financial holding company should state these shares as treasury stocks starting its 2002 financial statements.

3. ELIMINATIONS OF SIGNIFICANT TRANSACTIONS BETWEEN AFFILIATES FOR THE SIX MONTHS ENDED JUNE 30, 2002

| <u>Name of Corporation</u> | <u>Elimination Account</u> | <u>Amount</u> | <u>Counterparties of Transaction</u> |
|-----------------------------------|---|---------------|--------------------------------------|
| SinoPac Holdings | Cash and cash equivalents | \$ 44,890 | Bank SinoPac and subsidiaries |
| Bank SinoPac and subsidiaries | Deposits and remittances | 966,892 | SinoPac Securities (formerly NSC) |
| | Deposits and remittances | 1,957,211 | SPS and subsidiaries |
| | Deposits and remittances | 44,890 | SinoPac Holdings |
| | Securities purchased | 160,000 | SPS and subsidiaries |
| | Loans, discounts and bills purchased | 700,000 | SPS and subsidiaries |
| SinoPac Securities (formerly NSC) | Loans, discounts and bills purchased | 200,000 | SinoPac Securities (formerly NSC) |
| | Cash and cash equivalents | 36,892 | Bank SinoPac and subsidiaries |
| SinoPac Securities (formerly NSC) | Guarantee deposits | 930,000 | Bank SinoPac and subsidiaries |
| | Short-term borrowings | 200,000 | Bank SinoPac and subsidiaries |
| | Cash | 329,111 | Bank SinoPac and subsidiaries |
| SPS and subsidiaries | Pledged time deposits | 1,328,100 | Bank SinoPac and subsidiaries |
| | Short-term borrowings | 700,000 | Bank SinoPac and subsidiaries |
| | Bonds purchased under agreement to resell | 160,000 | Bank SinoPac and subsidiaries |
| | Other assets | 300,000 | Bank SinoPac and subsidiaries |

4. CASH

June 30, 2002

| | |
|------------------------------------|----------------------|
| Negotiable certificates of deposit | \$ 50,503,562 |
| Cash | 1,948,779 |
| Notes and checks in clearing | <u>1,688,753</u> |
| | <u>\$ 54,141,094</u> |

As of June 30, 2002, negotiable certificates of deposit aggregating \$5,500,000 have maturities over one year and may be withdrawn momentarily.

5. DUE FROM CENTRAL BANK

This account consists mainly of New Taiwan dollar and foreign currency - denominated deposit reserves.

Pursuant to a directive issued by the Central Bank of the ROC, New Taiwan dollar - denominated deposit reserves are determined monthly at prescribed rates on average balances of customers' New Taiwan dollar - denominated deposits. These reserves include \$5,329,145 as of June 30, 2002, which are subject to withdrawal restrictions.

In addition, the foreign-currency denominated deposit reserves are determined at prescribed rates on balances of additional foreign-currency denominated deposits. These reserve may be withdrawn momentarily and are non-interest earning. As of June 30, 2002, the balance of foreign-currency denominated deposit reserves was \$503,370.

6. SECURITIES PURCHASED

June 30, 2002

| | |
|--|----------------------|
| Commercial paper | \$ 17,121,021 |
| Corporate bonds | 13,336,620 |
| Beneficiary certificates | 4,278,178 |
| Government bonds | 3,595,637 |
| Floating rate notes | 3,007,837 |
| Bank debentures | 383,290 |
| Bank acceptances | 99,653 |
| Listed and over-the-counter stocks | <u>200</u> |
| | 41,822,436 |
| Less - allowance for decline in market value | <u>20,712</u> |
| Net | <u>\$ 41,801,724</u> |

The aggregate market values or reference prices of corporate bonds, beneficiary certificates, government bonds, bank debentures and listed and over-the-counter stocks, are as follows:

June 30, 2002

| | |
|------------------------------------|---------------|
| Corporate bonds | \$ 13,398,012 |
| Beneficiary certificates | 4,249,536 |
| Government bonds | 3,611,225 |
| Bank debentures | 384,530 |
| Listed and over-the-counter stocks | 126 |

The Company has been established by Bank SinoPac, SinoPac Securities (formerly NSC) and SPS (included in long-term investments by Bank SinoPac) through stock conversion as of May 9, 2002. Accordingly, shares of SPS held by Bank SinoPac has been converted to shares of SinoPac Holdings and Bank SinoPac has reclassified aforementioned shares from long-term equity investment to securities purchased based on its intension for holding.

As of June 30, 2002, 204,107 thousand shares of the Company were held by Bank SinoPac with carrying value of \$2,896,922 and market value of \$3,068,131 based on daily average closing price in June 2002.

7. SECURITIES - DEALING AND UNDERWRITING

June 30, 2002

Dealing department

| | |
|---|-------------------|
| Listed stocks | \$ 406,369 |
| Over-the-counter stocks | 477,049 |
| Listed and over-the-counter convertible corporate bonds | 1,499,541 |
| Government bonds and over-the-counter corporate bonds | 10,706,077 |
| Bank debentures | 1,753,059 |
| Emerging stock | 256,637 |
| Taiwan Innovative Growing Entrepreneurs | <u>23,371</u> |
| | 15,122,103 |
| Less - allowance for decline in market value | <u>53,184</u> |
| Net | <u>15,068,919</u> |

Underwriting department

| | |
|---|----------------|
| Listed stocks | 286,128 |
| Over-the-counter stocks | 227,299 |
| Listed and over-the-counter convertible corporate bonds | 209,100 |
| Unlisted convertible corporate bonds | <u>10,000</u> |
| | <u>732,527</u> |

Hedge positions for stock warrants

| | |
|--|----------------------|
| Listed stocks | 126,359 |
| Less - allowance for decline in market value | <u>21,685</u> |
| | <u>104,674</u> |
| Net | <u>\$ 15,906,120</u> |

The aggregate market values are as follows:

| | |
|------------------------------------|----------------------|
| Dealing department | <u>\$ 15,068,919</u> |
| Underwriting department | <u>\$ 923,076</u> |
| Hedge positions for stock warrants | <u>\$ 104,674</u> |

Market prices are determined by the closing prices as of June 30, 2002.

8. SECURITIES PURCHASED UNDER AGREEMENTS TO RESELL

As of June 30, 2002, securities purchased under agreements to resell will be sold for \$8,487,045 between June 2002 and May 2003.

| 9. ACCOUNTS, INTEREST AND OTHER RECEIVABLES | <u>June 30, 2002</u> |
|---|----------------------|
| Margin loans receivable | \$ 11,334,891 |
| Accounts receivable | 8,551,452 |
| Interest receivable | 2,095,893 |
| Accrued revenue | 544,236 |
| Securities brokerage accounts - net | 317,169 |
| Refundable tax receivable | 207,259 |
| Other | <u>1,083,744</u> |
| | 24,134,644 |
| Less - allowance for credit losses | <u>518,655</u> |
| Net | <u>\$ 23,615,989</u> |

The balance of the accounts receivable as of June 30, 2002 included \$8,142,109 generated from factoring business.

Margin loans receivable from customers were collateralized by the underlying securities and beared interest rates of 8.35% for the six months ended June 30, 2002.

| 10. LOANS, DISCOUNTS AND BILLS PURCHASED | <u>June 30, 2002</u> |
|--|-----------------------|
| Overdrafts | \$ 2,871,618 |
| Short-term loans | 52,063,717 |
| Mid-term loans | 53,983,824 |
| Long-term loans | 96,049,943 |
| Import and export negotiations | 663,967 |
| Bills purchased | 390 |
| Non-performing loans | <u>2,228,981</u> |
| | 207,862,440 |
| Less - allowance for credit losses | 2,028,448 |
| - unearned loan fees | <u>101,179</u> |
| Net | <u>\$ 205,732,813</u> |

Unearned loan fees pertain to nonrefundable loan fees and certain direct costs associated with originating and acquiring loans. The fees collected are not recognized at the time of origination but are deferred and amortized using the effective interest method over the life of the loan as an adjustment of the yield on the related loan.

The balance of loans as of June 30, 2002 which accrual of interest revenues was discontinued amounted to \$2,665,756. The unrecognized interest revenue on these loans amounted to \$80,115 for the six months ended June 30, 2002.

For the six months ended June 30, 2002, the Company had not written off credits without any legal proceedings having been initiated.

The detail and changes in allowance for credit losses of loans, discounts and bills purchased are summarized below:

| | For the Six Months Ended June 30, 2002 | | |
|---------------------------------|---|---|---------------------|
| | For Losses on Particular Loss | For Losses on the Overall Loan Portfolio (Excluding the Particular Loans) | Total |
| Balance, beginning of period | \$ 792,672 | \$ 1,107,719 | \$ 1,900,391 |
| Provision | 573,042 | 62,123 | 635,165 |
| Write-off | (514,733) | - | (514,733) |
| Recovery of written-off credits | 2,541 | - | 2,541 |
| Reclassifications | (11,548) | 16,632 | 5,084 |
| Balance, end of period | <u>\$ 841,974</u> | <u>\$ 1,186,474</u> | <u>\$ 2,028,448</u> |

As of June 30, 2002, allowance for credit losses of the Company was \$2,650,109.

Since the third quarter of 2000, the economic and financial environment has been beset by many economic and noneconomic difficulties from inside and outside Taiwan. Thus, the country's economic growth has decelerated, investment is reduced, unemployment has risen, the stock market is bearish, and the New Taiwan dollar devaluated. Certain business enterprises, including conglomerates and listed companies, failed to meet their obligations when these obligations became due. To stabilize the situation, the government has taken various economy-boosting measures.

Against this background, the Company's financial statements for the six months ended June 30, 2002 include provisions for possible losses and guarantee losses based on information available to the Company, including defaults to the extent they can be determined or estimated. However, these estimates do not include any adjustments that might be required when related contingent liabilities become probable or determinable in the future.

11. LONG-TERM INVESTMENTS

June 30, 2002

Long-term equity investments

| | |
|------------------------------------|---------------------|
| Equity method | |
| Unlisted stocks | <u>\$ 4,764,435</u> |
| Cost method | |
| Listed and over-the-counter stocks | 648,171 |
| Unlisted stocks | 1,167,731 |
| Venture funds | <u>54,995</u> |
| | 1,870,897 |
| Less - unrealized losses | <u>256,460</u> |
| Net | <u>1,614,437</u> |

Long-term bond investments

| | |
|-----------------|---------------------|
| Corporate bonds | <u>223,022</u> |
| | <u>\$ 6,601,894</u> |

The total market values of listed and over-the-counter stocks, and long-term bond investments were \$391,711 and \$223,565, respectively as of June 30, 2002.

The carrying amounts of the investments accounted for by the equity method as of June 30, 2002 and the related investment income for the period from May 9, 2002 to June 30, 2002 were based on the subsidiaries' audited financial statements. Nevertheless, \$3,708,328 of the long-term equity investments of the subsidiaries and \$120,450 of the related investment income (of which \$23,430 was stated as income from long-term equity investments for the period May 9, 2002 to June 30, 2002 and \$97,020 was stated as additional paid-in capital as of May 9, 2002) were based on the subsidiaries' investees unaudited financial statements. Management believes that any adjustments, if any, may have to be made to these investments and investment income if such financial statements had been audited is not material.

The Company recognized a proportionate unrealized loss on long-term investments totaling \$67,936 from its subsidiaries, for the aggregate market value of listed and OTC stocks held by their investees was lower than the total carrying value.

The Company recognized its equity in the unrealized revaluation loss of Aetna Sinopac Credit Card Co., Ltd. totaling \$41,544 (as a deduction in stockholders' equity). Such unrealized revaluation loss results from the revaluation of financial instrument contracts.

| | |
|--|----------------------|
| 12. PROPERTIES | <u>June 30, 2002</u> |
| Cost | <u>\$ 10,650,398</u> |
| Accumulated depreciation | |
| Buildings | 348,766 |
| Computer equipment | 1,290,750 |
| Transportation equipment | 85,444 |
| Office and other equipment | <u>1,172,252</u> |
| | <u>2,897,212</u> |
| Advances on acquisitions of equipment and construction in progress | <u>213,790</u> |
| Net | <u>\$ 7,966,976</u> |

| | |
|-------------------------------|----------------------|
| 13. OTHER ASSETS | <u>June 30, 2002</u> |
| Pledged time deposits | \$ 5,355,300 |
| Guarantee deposits | 2,290,813 |
| Value of option purchased | 1,880,632 |
| Intangible assets | 968,568 |
| Property held for lease - net | 341,528 |
| Collaterals assumed | 299,528 |
| Computer system software | 262,154 |
| Suspense account | 138,599 |
| Miscellaneous | <u>1,076,565</u> |
| | <u>\$ 12,613,687</u> |

Guarantee deposits included, as of June 30, 2002, \$1,295,732, which was in the form of government bonds and certificates deposits instead of cash.

On August 15, 1997, the Company acquired FENB through SinoPac Bancorp and the acquisition was accounted for using the purchase method of accounting. The assets and liabilities of FENB were revalued to reflect the estimated fair market value as of the date of acquisition. The excess of purchase price over the fair market value of the net tangible assets acquired was recorded as intangible assets.

| | |
|--|----------------------|
| 14. SHORT-TERM BORROWINGS | <u>June 30, 2002</u> |
| Short-term borrowings - due from July to November 2002, with interest rates between 0.65%-3.52% | <u>\$ 3,965,000</u> |
| Current position of long-term liability | <u>1,000,000</u> |
| Commercial paper payables - due from July to August 2002, with interest rates between 1.72%-3.02% | 4,304,500 |
| Less - unamortized discounts | <u>6,306</u> |
| | <u>4,298,194</u> |
| Net | <u>\$ 9,263,194</u> |

As of June 30, 2002, certificates of deposit amounted to \$3,024,900 have been provided as collaterals for short-term borrowings, and commercial paper issued.

15. SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE

As of June 30, 2002, securities sold under agreements to repurchase will be repurchased for \$21,620,346 before December 2002.

16. LIABILITIES FOR STOCK WARRANTS ISSUED

The Company issued American stock warrants and the stock warrants are effective within one year since the trading date. The stock warrants are exercised either by delivering the underlying securities or cash clearing payments. As of June 30, 2002, the liabilities for stock warrants issued by the Company are as follows:

| <u>Warrant Name</u> | <u>Underlying Security</u> | <u>Date of Issuance</u> | <u>Units Issued</u> | <u>Price at Issuance (NT\$)</u> | <u>Amount</u> | <u>Strike Price (NT\$)</u> | <u>Leverage</u> |
|---|------------------------------|-------------------------|---------------------|---------------------------------|--------------------|----------------------------|-----------------|
| SinoPac No. 1 | YAGEO | June 18, 2001 | 20,000,000 | \$ 8.36 | \$167,200 | \$35.97 | 296.0 |
| NSC - 10 | E.Sun Holding Co., Ltd. | October 29, 2001 | 20,000,000 | 1.10 | 22,000 | 19.20 | 11.6 |
| NSC - 11 | United Micro Electronics Co. | January 7, 2002 | 19,000,000 | 11.20 | 212,800 | 62.40 | 4.6 |
| Less - gain on revaluation of liabilities for stock warrants issued | | | | | (<u>331,050</u>) | | |
| Market value | | | | | <u>\$ 70,950</u> | | |

The market value is based on the closing price at the last trading date in June 2002.

17. REPURCHASED STOCK WARRANTS

The repurchased stock warrants are as follows:

| <u>Warrant Name</u> | <u>June 30, 2002</u> | |
|--|-----------------------------|-------------------|
| | <u>Units (In Thousands)</u> | <u>Amount</u> |
| SinoPac No. 1 | 51 | \$ 3 |
| NSC No. 10 | 251 | 419 |
| NSC No. 11 | 7,748 | 61,674 |
| Less - loss on revaluation of repurchased stock warrants | | (<u>38,311</u>) |
| Market value | | <u>\$ 23,785</u> |

The market values is based on the closing price at the last trading date in June 2002.

| 18. ACCOUNTS, INTEREST AND OTHER PAYABLES | <u>June 30, 2002</u> |
|---|----------------------|
| Accounts payable | \$ 3,392,546 |
| Notes and checks in clearing | 2,228,405 |
| Short sale proceeds payable | 1,671,420 |
| Interest payable | 1,502,654 |
| Tax payable | 1,020,058 |
| Accrued expenses | 738,534 |
| Forward exchange payable - net | 123,152 |
| Other | <u>421,635</u> |
| | <u>\$ 11,098,404</u> |

The balance of the accounts payable as of June 30, 2002 included \$3,381,661 generated from factoring business.

| 19. DEPOSITS AND REMITTANCES | <u>June 30, 2002</u> |
|------------------------------------|-----------------------|
| Checking | \$ 4,970,206 |
| Demand | 31,875,251 |
| Savings - demand | 50,716,123 |
| Time | 116,814,343 |
| Negotiable certificates of deposit | 45,200 |
| Savings - time | 57,591,506 |
| Inward remittances | 171,171 |
| Outward remittances | <u>28,239</u> |
| | <u>\$ 262,212,039</u> |

20. BANK DEBENTURES

The Company issued the first 5-year bank debentures with total face amount \$5,000,000 on December 20, 2001. This instrument bears fixed annual interest rate of 3.08%. The annual interest payment will be paid in the end of every year and the principal will be repaid at the maturity date.

21. STOCKHOLDERS' EQUITY

a. Capital stock

On June 26, 2002 the stockholders resolved to increase the Company's capital to \$37,481,270 through issuance of stock dividends from paid-in capital in excess of par value totaling \$2,097,745 divided into 209,774 thousand shares. The capital increase has been approved by the SFC and will be effected on September 3, 2002.

b. Capital surplus

According to the Company Law, the component of capital surplus arising from issuance of shares in excess of par value can be appropriated transfer to the common stock with the approval of stockholders.

The component of capital surplus arising from long-term equity investment accounted for by equity method can not be distributed for any purpose.

Pursuant to the Financial Holding Company Law and related directives issued by SFC, the distribution of the ex-conversion unappropriated earnings which generated by the financial institutions and became part of capital surplus of the financial holding company through the stock conversion, is excluded from the appropriation restriction of the Securities and Exchange Law.

The subsidiaries' unappropriated retained earnings prior to the stock conversion amounted to \$3,720,981 which was already stated as the Company's additional paid-in capital at the date of establishment. As of June 26, 2002 the stockholders resolved to increase capital by \$2,097,745 through issuance of stock dividends from aforementioned additional paid-in capital.

c. Retained earnings

The Company's Articles of Incorporation provide that the annual net income shall first offset against accumulated deficit, if any; 10% of the remainder shall be appropriated as legal reserve until the reserve equals the aggregate par value of the Company's outstanding capital stock. A special reserve may then be appropriated based on regulations. Any remainder thereof shall be appropriated to employees not less than 1%.

The aforementioned appropriation of bonus to employees will be resolved by the board of directors through cash or issuance of new shares. The subject of stock dividends comprehends employees of subsidiaries.

The dividend policy of the Company is influenced by its pursuit of growth and profit. Therefore, the Company needs substantial capital to support those strategies. The stockholder's meeting will resolve to distribute the stock and cash dividends according to the Company's business plan, however, cash dividends shall not be less than 10% of the dividends distributed except for the first of three starting business years.

Cash dividends and cash bonus are paid when approved by the stockholders, while the distribution of stock dividends requires the additional approval of the authorities.

The appropriations and the disposition of the remaining net income, as well as other allocations of earnings, are approved by the stockholders in the following year and given effect to in the financial statements of that year.

Under the Company Law, the aforementioned appropriation for legal reserve is made until the reserve equals the aggregate par value of the outstanding capital stock of the Company. This reserve is only used to offset a deficit, or, when its balance reaches 50% of aggregate par value of the outstanding capital stock of the Company, up to 50% thereof can be distributed as stock dividends.

A special reserve is appropriated from the balance of the retained earnings at an amount that is equivalent to the debit balance of accounts in the stockholders' equity section (such as cumulative translations adjustment account and unrealized loss of long-term equity investments but excluding the balance of treasury stocks) pursuant to a directive issued by the SFC. The balance of the special reserve is adjusted to reflect any changes in the debit balance of the related accounts at the balance sheet dates.

Under the Integrated Income Tax System, non-corporate and ROC-resident stockholders are allowed tax credits for the income tax paid by the Company. Tax credit allocated to stockholders are based on the balance of Imputation Credit Account (ICA) on the dividend distribution date.

22. TREASURY STOCK

| Reasons | Shares at Beginning of Period | Shares Increased During the Period | Shares Decreased During the Period | Shares at End of Period |
|-----------------------------------|--|---|---|-------------------------------|
| Re-issuance to employees | | | | |
| Bank SinoPac | 41,618 | - | - | 41,618 |
| SinoPac Securities (formerly NSC) | 53,858 | - | - | 53,858 |
| Shares held by subsidiary | 204,107 | - | - | 204,107 |

The Company is not allowed under the Securities and Exchange Law to purchase more than 10% of its total shares issued and outstanding capital stock. In addition, the Company may not spend more than the aggregate amount of the retained earnings, additional paid-in capital in excess of par value, capital surplus arising from gains on disposal of properties and donated capital.

The Company may not pledge or hypothecate any purchased capital stock. In addition, the Company may not exercise any shareholders' rights attached to such capital stock.

Bank SinoPac and SinoPac Securities (formerly NSC) acquired 40,535 thousand shares and 53,330 thousand shares of their own capital stocks for \$500,354 and \$554,992, respectively. As a result of the share swap (see Note 1), the aforementioned capital stocks has been exchanged for 96,476 thousands shares of the Company. Pursuant to a directive issued by the SFC, the Company treated those shares it issued in exchanged for those Bank SinoPac shares and SinoPac Securities shares as treasury shares.

Bank SinoPac had held 256,127 thousand shares of SPS with carrying value of \$2,896,922 prior to the exchange of shares described in Note 1. Those shares have been exchanged for 204,107 thousand shares of the Company and presented by Bank SinoPac, in its separate financial statements, as reclassified to securities purchased at carrying value from long-term equity investment according to the holding purpose of Bank SinoPac. Those shares are presented in the accompanying financial statements as treasury stock at \$2,896,922.

Although those shares of the Company held by subsidiaries as investments is presented by the Company as treasury stocks, the subsidiaries are able to exercise the rights of a stockholder in respect to these treasury stocks.

| | |
|---------------------------------------|--|
| 23. SERVICE FEES | For the Six Months Ended <u>June 30, 2002</u> |
| Brokerage | \$ 1,598,211 |
| Factoring and financing | 126,627 |
| Mutual funds | 103,194 |
| Custody | 65,968 |
| Guarantees | 46,880 |
| Loan documentation fee | 22,576 |
| Structured notes | 9,832 |
| Other | <u>288,276</u> |
| | <u>\$ 2,261,564</u> |
| 24. INCOME FROM SECURITIES - NET | For the Six Months Ended <u>June 30, 2002</u> |
| Short-term bills | |
| Capital gain - net | \$ 64,820 |
| Interest revenue | <u>533,147</u> |
| | <u>597,967</u> |
| Bonds | |
| Capital gain - net | 533,419 |
| Interest revenue | 40,597 |
| Reversal of decline in market value | <u>75,294</u> |
| | <u>649,310</u> |
| Beneficiary certificates | |
| Capital gain - net | 24,760 |
| Reversal of decline in market value | (<u>19,727</u>) |
| | <u>5,033</u> |
| Stock | |
| Capital gain - net | 627,167 |
| Dividends | 1,430 |
| Provision for decline in market value | (<u>131,351</u>) |
| | <u>497,246</u> |
| | <u>\$ 1,749,556</u> |

25. OPERATING AND ADMINISTRATIVE EXPENSES

For the
Six Months
Ended
June 30, 2002

| | |
|-------------------------------|---------------------|
| Salaries and wages | \$ 2,389,432 |
| Depreciation and amortization | 440,189 |
| Rental | 291,294 |
| Taxes other than income tax | 258,501 |
| Professional service charges | 158,313 |
| Insurance | 127,090 |
| Postage | 101,423 |
| Other | <u>789,273</u> |
| | <u>\$ 4,555,515</u> |

26. PENSION

Bank SinoPac has a defined benefit noncontributory pension plan covering all regular employees. The Bank makes monthly contributions, equal to 7% of employee salaries, to the pension fund. In addition, non-management employees also contribute a compulsory amount equivalent to 4% of their salaries to the fund. The employees will receive benefits upon retirement computed based on length of services and average monthly salary upon retirement. Also, the employees will receive their cumulative contributions, if any, and the interest thereon.

SinoPac Securities (formerly NSC) has pension and severance plans for all regular employees. Employees who have served either 25 years or over 15 years and have reached 55 years of age are eligible for retirement benefits. Employees hired on or before May 19, 1997 and have served over 20 years are eligible for retirement benefits. In addition, employees hired on or before March 15, 1996 and have served at least 5 years are eligible for severance benefits. Both pension and severance benefits are to be calculated at the average six months' salary or wage before retirement or termination. SinoPac Securities makes monthly contributions equal to 6% of basic salaries and wages (net of bonuses and benefits) to a pension fund (the "Fund"). The Fund is administered by the employees pension plan committee and deposited in the committee's name, and establish an employees pension plan supervisors committee to administrate such pension fund.

SPS also has a pension plan covering all regular employees which provides benefits based on length of service and average monthly pay before retirement. SPS makes monthly contributions, equal to 2% of employee salaries, to a pension fund.

FENB has a pension plan, for regular employees who have been employed for at least one year. Under this plan, employees may contribute up to 15% of their annual salary with FENB matching up to 3% of the employee's contribution.

a. The changes in the pension fund are summarized below:

| | For the Six Months Ended <u>June 30, 2002</u> |
|--------------------|--|
| Balance, January 1 | \$ 1,092,436 |
| Contributions | 130,471 |
| Benefits paid | (43,669) |
| Interest income | <u>22,083</u> |
| Balance, June 30 | <u>\$ 1,201,321</u> |

b. Pension reserve

| | For the Six Months Ended <u>June 30, 2002</u> |
|--------------------|--|
| Balance, January 1 | \$ 34,582 |
| Provision | 79,255 |
| Benefits paid | <u>(62,250)</u> |
| Balance, June 30 | <u>\$ 51,587</u> |

Pension expenses amounted to \$99,031 for the six months ended June 30, 2002.

27. INCOME TAX

a. The compositions of income tax are as follows:

| | For the Six Months Ended <u>June 30, 2002</u> |
|--------------------------------------|--|
| Income tax expense - current | \$ 415,340 |
| Foreign income taxes over limitation | 29,620 |
| Income tax expense - deferred | 43,959 |
| Tax on unappropriated earnings (10%) | 108,798 |
| Interest income on short-term bills | 107,011 |
| Prior year's adjustment | <u>1,610</u> |
| Income tax | <u>\$ 706,338</u> |

Income tax is based on taxable income from all sources. Foreign income taxes paid are creditable against the domestic income tax obligations to the extent of domestic income tax applicable to the foreign-source income.

- b. Reconciliation of tax on income before income tax at statutory rate and income tax expense-current:

| | For the Six Months Ended <u>June 30, 2002</u> |
|--|--|
| Income tax expense on income before income tax at 25% statutory rate | \$ 862,583 |
| Add (deduct) tax effects of: | |
| Tax-exempt income | (188,717) |
| Permanent difference | (266,949) |
| Temporary difference | 11,149 |
| Investment tax credit | (2,755) |
| Other | <u>29</u> |
| Income tax expense - current | <u>\$ 415,340</u> |

- c. Net deferred income tax assets (liabilities) as of June 30, 2002 consist of the tax effects of the following:

| | <u>June 30, 2002</u> |
|--|----------------------|
| Acquisition premium | (\$ 87,808) |
| Deferred loan fees | (134,347) |
| Provision for credit losses | 437,976 |
| Contribution to employees welfare fund | 1,646 |
| Pension expense due to difference in calculation for accounting and tax purposes | (33,967) |
| Investment income under the equity method | (304,014) |
| Unrealized foreign exchange gain | 12,360 |
| Other | <u>36,081</u> |
| | <u>(\$ 72,073)</u> |

- d. The related information under the Integrated Income Tax System is as follows:

| | <u>SinoPac Holdings</u> | <u>Bank SinoPac</u> | <u>SinoPac Securities</u> | <u>SPS</u> |
|--|-----------------------------|-------------------------|-------------------------------|------------|
| Balances of imputed tax credit account | \$ 172,430 | \$ 12,012 | \$ 204 | \$ 559 |

The actual ratios for 2001 of imputed tax credit to earnings of Bank SinoPac, SinoPac Securities (formerly NSC) and SPS were 12.67%, 19.7% and 34.43%.

The unappropriated retained earnings as of June 30, 2002 consisted of earnings of \$105,569 and \$771 by SinoPac Securities and SPS, respectively, which were generated before January 1, 1998.

The Company's foreign shareholders are not entitled to the tax credit described in the preceding paragraph except those related to 10% taxes on undistributed surplus earnings actually paid by the Company. The foreign shareholders' portion in such taxes will be used to reduce the amount of the final withholding taxes on dividends paid to such foreign shareholders.

- e. For Bank SinoPac, income tax returns of up to 2000 had been examined by the tax authorities except 1996 and 1999. As a result of those examination, in the income tax returns for 1994, 1995, 1997, 1998 and 2000, the tax authorities had denied the creditability of 10% withholding tax on interest income on bonds totaling \$69,766 that is attributable to period those bonds were held by other investors. The income tax returns for 1996, 1999 and 2001 also reflected reduction in income tax obligations totaling \$41,443 attributable to similar type of withholding taxes; which returns were not yet examined by the tax authorities. Bank SinoPac has accrued liabilities and has written-off any assets recognized related to the foregoing withholding taxes as part of income tax expense in 2001.

For SinoPac Securities (formerly NSC), the income tax returns through 1998 of the SinoPac Securities have been examined by the tax authority. In connection with such examination, the tax authorities disallowed as deduction against the SinoPac Securities's income tax obligations for 1990, 1991, 1994, 1995, 1996, 1997 and 1998 on items such as the allocation of the operating expenses and interest expenses on dealing department and unrefundable withholding tax on bond interest income. The SinoPac Securities has filed an appeal for reconsideration of the assessments. As a result of the foregoing examinations, the SinoPac Securities had been assessed additional income tax. Nevertheless, due to 99.96% of the bonds purchased from the profit-seeking enterprises by the SinoPac Securities, there is no income tax recorded for these withholding taxes which are sum up to \$8,221.

For SPS, income tax returns through 1999 has been examined and approved by the tax authorities. In the assessment of 1999 tax returns, the tax authority had denied the creditability of 10% withholding tax on bond interest income totaling \$11,298 which was attributed by prior holders of the bonds. The SPS believes such assessment is without merit and therefore has filed for appeals. However, the SPS has all of withholding tax on bond interest income and recognized income tax expense amounted to \$49,768 up to June 30, 2002.

28. EARNINGS PER SHARE

The numerators and denominators used in computing earnings per share (EPS) are summarized as follows:

| | Numerator (Amounts) | | Denominator (Shares in Thousands) | EPS (NT\$) | |
|--|------------------------|------------|---|------------|-----------|
| | Pre-tax | After tax | | Pre-tax | After tax |
| <u>For the period May 9 to June 30 2002</u> | | | | | |
| Basic EPS | \$ 425,301 | \$ 424,721 | 3,238,770 | \$ 0.13 | \$ 0.13 |
| EPS after retroactive adjustment for stock dividends occurred after the balance sheet date | 425,301 | 424,721 | 3,436,108 | \$ 0.12 | \$ 0.12 |

29. RELATED PARTY TRANSACTIONS

Significant transactions with related parties are summarized as follows:

a. Credit extended, deposits taken and placed and due from affiliates

| | <u>June 30, 2002</u> | | <u>For the Six Months Ended</u> |
|---------------------|----------------------|-------------------|---------------------------------|
| | <u>Amount</u> | <u>% to Total</u> | <u>June 30, 2002</u> |
| | | | <u>Interest Rate (%)</u> |
| Loans and discounts | \$ 329,256 | 0.13% | 2.10%-12.75% |
| Deposits | 1,981,648 | 0.96% | 0.65%-7.35% |

None of the related parties individually accounts for 10% or more of the respective account balances.

b. Lease

Bank SinoPac leases certain office premises from China Television Co., Ltd. (Bank SinoPac is a director of the company) for a three-year period ending July 2004. Rentals for the six months ended June 30, 2002 was \$4,975.

Bank SinoPac leases certain office premises from Su Kwang Hui (son of a director of Bank SinoPac before April 18, 2001) for a five-year period ending December 2003. Rentals for six months ended June 30, 2002 was \$3,235.

Bank SinoPac leases certain office premises from Ruentex Construction & Development Co., Ltd. (an affiliate) for a five-year period ending September 2005. Rental for the six months ended June 30, 2002 was \$1,598.

Bank SinoPac leased an office premise from Hung-Guan Real Estate Development Corporation. Since the said property has been purchased by SinoPac Leasing Corporation (a subsidiary of Bank SinoPac, SPL), rights on the remaining term of the related lease agreement (that is until July 2002) was assigned to SPL. The rentals were paid monthly to SPL and rentals for the six months ended June 30, 2002 was \$3,332.

The SinoPac Securities (formerly NSC) leases two office premises located in Po-Ai Road and in Wu-Tsang Street from National Electric Appliance Co, Ltd. (director of the SinoPac Securities) for a five-year period ending May 2007 and for a three-year period ending September 2004. Annual rental for the first year of Po-Ai Building was \$7,623 and is subject to the yearly adjustment for price index for the following years. Annual rental of Wu-Tsang Building was \$864. The SinoPac Securities leases certain office premises from Hung Yue Investment Co., Ltd. (director of the SinoPac Securities) for a three-year period ending July 2003. Annual rental was \$10,830 and guarantee deposit of \$2,708 has been provided.

Rentals paid to aforementioned related parties by SinoPac Securities for the six months ended June 30, 2002 was \$10,796.

Rentals, included in non-operating revenue, totaling \$1,339 and \$1,350 were paid to SinoPac Securities (formerly NSC) by SinoPac Futures Corp. (an affiliate) and SinoPac Capital Management Corp. (an affiliate), respectively.

c. Guarantee and securities purchased

As of June 30, 2002, Bank SinoPac has provided guarantees on commercial paper with aggregate face value of \$31,000 issued by Fortune Investment Co., Ltd. (director of Bank SinoPac). Fortune Investment also provided real estate and stocks totaling \$36,000 as collateral.

As of June 30, 2002, Bank SinoPac has provided guarantees on commercial paper and short-term secured loans, with aggregate face values of \$34,000, issued by Wal Tech International Corporation (an affiliate). As of June 30, 2002, the guarantees provided by SPL, Wal Tech International Corporation and Grand Capital International Limited were collateralized by the following:

| | |
|--------------------------------|--------------------------------|
| | <u>June 30,</u> <u>2002</u> |
| Properties - at carrying value | \$1,478,886 |

As of June 30, 2002, the Bank held \$10,000 of aforementioned commercial paper issued by Fortune Investment, which were recorded under securities purchased.

d. Professional advisory charges

Bank SinoPac has entered into several professional advisory contracts with its investees. The professional advisory fees paid for the six months ended June 30, 2002 amounted to \$37,954.

SinoPac Securities has entered into several brokerage and underwriting contracts with its affiliates. The commissions and fees regarding with brokerage and underwriting received for the six months ended June 30, 2002 amounted to \$1,347.

e. Due from affiliates

On May 1, 2000, Bank SinoPac transferred its credit card business to Aetna Sinopac Credit Card Co., Ltd., for a total consideration of \$3,823,798, which consideration had been received before December 31, 2001.

The compensation received by Bank SinoPac for its credit card accounts and the personnel of its credit card business was recognized as income over five years in the case of the credit card accounts and over three years in the case of the transfer price for the related personnel. For the six months ended June 30, 2002, the amortization of the compensation for the transfer of the credit card accounts and personnel amounted to \$14,168.

The SinoPac Securities (formerly NSC) entered into future contracts with SinoPac Futures and generated related notes and accounts receivable totaling \$4,388 as of June 30, 2002 and commissions income totaling \$29,354 for the six months ended June 30, 2002.

The SinoPac Securities (formerly NSC) entered into stock affairs agency contracts with National Investment Trust Co., Ltd. (NITC) and generated related notes and accounts receivable totaling \$175 as of June 30, 2002 and stock agent affair fees income totaling \$677 for the six months ended June 30, 2002.

As of June 30, 2002, Bank SinoPac has made receivable to Aetna Sinpac Credit Card amounting to \$39,901 and SPS has made receivable to SinoPac Futures Co., Ltd. amounting to \$15,682.

f. Land and buildings purchase contract

In January 2001, the Company entered into a contract with Fu-I Co., Ltd. (the chairman of the company was a director of Bank SinoPac before April 18, 2001) to purchase land and a building located in Taipei for business purposes. The purchase cost was \$199,900, of which \$53,550 has already been paid as of June 30, 2001.

g. Short-term bills and bonds transactions

Short-term bills and bonds transactions with related parties for the six months ended June 30, 2002 are as follows:

SinoPac Holdings & Bank SinoPac

| <u>Nature of Transactions</u> | <u>Accumulated Face Amount Traded for the Period May 9, 2002 to June 30, 2002</u> |
|--|---|
| Outright purchase of commercial papers | \$ 2,285,000 |
| Commercial papers purchased under agreements to resell | 300,000 |

SinoPac Securities

| <u>Nature of Transactions</u> | <u>June 30, 2002</u> | | <u>Interest Revenue/ Expense for the Six Months Ended June 30, 2002</u> |
|--|----------------------|---------------------|---|
| | <u>Face Value</u> | <u>Cost</u> | |
| Bonds sold under agreements to repurchase | | | |
| - Mutual funds managed by NITC | \$ 1,263,000 | \$ 1,294,812 | \$ 16,433 |
| - NITC Asset Management (Asia) Ltd. | 13,000 | 14,272 | 194 |
| - SinoPac Capital Management | 2,000 | 2,000 | 32 |
| - Other | - | - | 20 |
| | <u>\$ 1,278,000</u> | <u>\$ 1,311,084</u> | <u>\$ 16,679</u> |
| Bonds purchased under agreements to resell | <u>\$ 155,000</u> | <u>\$ 155,000</u> | <u>\$ 1,332</u> |

SPS

| <u>Nature of Transactions</u> | <u>June 30, 2002</u> |
|------------------------------------|----------------------|
| Outright purchases of bonds (cost) | |
| - SinoPac Futures Co., Ltd. | <u>\$ 113,290</u> |

The terms of the transactions with related parties are similar to those with non-related parties except for the preferential interest rates for savings and loans of up to prescribed limits made available to employees of Bank SinoPac.

In compliance with the Banking Law, except for customer loans, credits extended by Bank SinoPac to any related party should be fully secured, and the terms of credits extended to related parties should be similar to those extended to non-related parties.

| | |
|--|----------------------|
| 30. PLEDGED OR MORTGAGED ASSETS | <u>June 30, 2002</u> |
| Other assets - time deposits | \$ 5,355,300 |
| Operating securities - face value of bonds | 100,000 |
| Properties - net | 608,364 |
| Properties leased to others - net | <u>270,198</u> |
| | <u>\$ 6,333,862</u> |

Time deposits were pledged as guarantee on the issuance of commercial paper, acquiring bank loans and filing a petition for tax reassessment. The carrying values of properties and properties leased to others shown above were pledged as mortgage for bank overdraft.

31. CONTINGENCIES AND COMMITMENTS

Financial instruments, contingencies and commitments of the Company, in addition to those disclosed in Note 36 are summarized as follows:

a. Lease contract

The Company leases certain office premises under several contracts for various periods ranging from one to seven years, with rentals paid monthly, quarterly or semi-annually. Future rentals for the next five years are as follows:

| <u>Year</u> | <u>Amount</u> |
|-----------------------------|---------------|
| July 1 to December 31, 2002 | \$ 198,226 |
| 2003 | 353,191 |
| 2004 | 316,222 |
| 2005 | 205,645 |
| 2006 | 157,085 |

Rentals for the years beyond 2006 amount to \$237,807, the present value of which is about \$186,975 as discounted at the Bank SinoPac's one-year time deposit rate of 2.3% and FENB's (consolidated in SinoPac Bancorp) interest rate of 5.1% on July 1, 2002.

b. Land and buildings purchase contract

In January 2001, Bank SinoPac entered into contracts to purchase land and buildings located in Taipei for business purposes. The purchase cost was \$199,900, of which \$53,550 has already been paid as of June 30, 2001. (Please see Note 29.f.)

c. Equipment purchase contract

Bank SinoPac entered into contracts to purchase computer hardware and software for \$106,476, of which \$51,827 has already been paid as of June 30, 2002.

d. Renovation agreement

Bank SinoPac entered into contracts to renovate office premises for \$91,513, of which \$63,649 has already been paid as of June 30, 2002.

e. Short-term bills and bonds sold under agreements to repurchase - treated as outright sales

As of June 30, 2002, short-term bills and bonds with a total face amount of \$13,609,500 were sold under agreements to repurchase at \$14,185,204 by Bank SinoPac between July and November 2002.

f. Short-term bills purchased under agreements to resell - treated as outright purchases

As of June 30, 2002, short-term bills with a total face amount of \$2,573,000 were purchased under agreements to resell at \$2,562,317 by Bank SinoPac between July and August 2002.

g. The District and the Superior Courts of Taipei, respectively, have ruled in favor of SinoPac Securities denying the claim for compensatory damages by National Bills Finance Ltd. (NBF). The compensatory damages were claimed against SinoPac Securities in view of the involvement of Mr. Tze-Shen Wu, an employee of SinoPac Securities, in a related NBF fraud case. Subsequently, NBF appealed the decision of the Superior Court of Taipei. The Supreme Court reversed the verdict made by the District Court of Taipei, which was upheld by the Superior Court of Taipei. Notwithstanding the said decision by the Supreme Court, management and its legal counsel believe that SinoPac Securities can not be held responsible for the alleged actions of Mr. Tze-She Wu. Accordingly, no liability was recognized in the accompanying financial statements.

h. The Securities and Futures Institute (SFI), on behalf of the investors of Cheng-Yi Food Co. (CYF) in respect to its Initial Public Offering (IPO), filed a civil case with the District Court of Taipei against CYF, the major and sub-underwriters (SinoPac Securities being a sub-underwriter in the IPO) of CYF. The compensatory damages claimed by SFI amounted to \$71,018 and 5% of interest. It is the opinion of management and its legal counsel that SinoPac Securities can not be held liable for material damages incurred by the investors since its role as sub-underwriter to the CYF IPO is limited only to the distribution of CYF shares and it has not advised CYF on matters related to the IPO.

i. Mr. Chang initiated a lawsuit against SinoPac Securities and its two former employees Mr. Lin and Mr. Huang, for embezzling his money. Mr. Chang claimed damages of \$33,800 and 5% of interest. In the opinion of the Corporation's legal counsel, the Corporation should not have been involved in the lawsuit since the act of Mr. Lin and Mr. Huang stipulated in the lawsuit is not connected to their work as employees of SinoPac Securities. Thus SinoPac Securities did not accrue any liability in respect to this case.

- j. Tai Sheng Investment Management Co., Ltd. (Tai Shen) is a fund manager of P.T. Opportunities Fund (P.T. Fund), purchased unsecured convertible bonds of Chinese Automobile Company (the “CAC convertible bonds”) for US\$985,062.50. In view of the subsequent bankruptcy of CAC, Tai Sheng sued CAC, the major and sub-underwriters for US\$985,062.5 and annual management fee of US\$15,000. In the opinion of SinoPac Securities’s legal counsel, SinoPac Securities can not be held liable for material damages incurred by the investors since it was involved only in the distribution of the securities. Accordingly, no liability was recognized in the accompanying financial statements.
- k. Taichung Commercial Bank initiated a lawsuit against Mr. Wu, a former employee of Wan Sheng Securities, for providing poll accounts to Kuangsan Enterprise Group (Kuangsan) who purchased and sold securities illegally. Taichung Commercial Bank filed a civil case with Mr. Wu and SinoPac Securities, arising from certain unlawful acts of Kuangsan. The compensatory damages amounted to \$97,069 and 5% interest therewith. SinoPac Securities undertakes Wan Sheng’s lawsuits because of merger. In the opinion of SinoPac Securities’s legal counsel, the lawsuit should be a disagreement between Taichung Commercial Bank and Kuangsan and since the act of Mr. Wu is not connected to his duty at work in Wan Sheng Securities, SinoPac Securities should not be liable in this case.

32. SIGNIFICANT SUBSEQUENT EVENTS

The US \$230,000,000 zero coupon convertible Bonds (the “Bonds”) with US\$ 1000 at par was issued in Luxembourg by the Company as of July 12, 2002, other offerings regarding with the convertible bonds are as follows:

a. Redemption terms

Unless previously redeemed, purchased and cancelled or converted, the Bonds will be redeemed on the maturity date at the redemption value. The redemption value of the Bonds will be the principle amount with annual yield rate at 4.45%.

- 1) Redemption at the option of the Company: The Bonds may be redeemed at their early redemption amount in whole or in part, at the option of the Company
 - a) After the third anniversary of the issue date, provided that for 20 consecutive trading days, the closing price of the common shares on the TSE into which each Bond is convertible exceeds 130% of the Conversion Price
 - b) Any time at par if at least 90% in principal amount of the Bonds have already been redeemed, converted, or purchased and cancelled.
 - c) Any time in the event of certain changes in ROC taxation after issue date which oblige the Company to pay such additional amounts of the Bonds.
- 2) Redemption at the option of the bondholders: The Company will, at the option of any bondholder, redeem all or any portion of the Bonds at the accreted value
 - a) After the third anniversary of the issue date (the “put option date”). To exercise such right, the bondholder must complete and sign the Relevant Event Redemption Notice prior to the put option date.

- b) The common shares of the Company ceased to be listed or admitted to trading on TSE
- c) There is a change in control (as defined in the Trust Deed) with respect to the Company.

b. Maturity date:

Five years after the issue date. The Bonds were issued on July 12, 2002 and will be matured on July 12, 2007.

c. Pledged: Negative

d. Conversion item and conversion period

Except during a closed period or suspension period, the Bondholders may, at any time from 30 days after the issuance of the Bonds to the date 20 days prior to the maturity date convert the Bonds into common shares of the Company. Closed period means the period being (a) 60 days prior to a shareholders annual general meeting, (b) 30 days prior to a shareholders extraordinary general meeting or (c) 5 days prior to the record date for the distribution of dividends or other distributions. In addition, the Bonds may not be converted (a) during a period of not less than 3 business days prior to the ex-dividend date or the ex-rights date and ending on the record date and (b) during the period commencing on the date a shareholders' meeting resolves to declare distributions or approve a rights issue and ending on the relevant record date, such period being a "Suspension Period". The Company undertakes that it will have sufficient common shares for conversion, following an adjustment to the conversion price.

e. Conversion price

Conversion price at 17.666 per share (US\$0.527 per share at exchange rate of NT\$33.513=US\$1) was determined by the closing price on TSE as of July 8, 2002 (the pricing date) with 21% mark-up. 436,317,786 shares of common stock will be issued in effect on the conversion date.

33. CAPITAL ADEQUACY RATIO

The Banking Law and related regulations require that Bank SinoPac maintain a capital adequacy ratio of at least 8%. Pursuant to such law and regulations, if Bank SinoPac's capital adequacy ratio falls below 8%, the MOF may impose certain restrictions on the level of the cash dividends that Bank SinoPac can declare or, in certain conditions, totally prohibits Bank SinoPac from declaring cash dividends.

As of June 30, 2002, Bank SinoPac's capital adequacy ratio was 11.41%.

34. AVERAGE AMOUNT AND AVERAGE INTEREST RATE OF INTEREST-EARNING ASSETS AND INTEREST-BEARING LIABILITIES

Average balance and average rate of interest earning assets and interest bearing liabilities of Bank SinoPac, which were calculated by daily average balance, are as follows:

| | <u>For the Six Months Ended June 30, 2002</u> | |
|---|---|-----------------------------|
| | <u>Average Balance</u> | <u>Average Rate (%)</u> |
| <u>Interest earning assets</u> | | |
| Cash - negotiable certificates of deposit | \$ 26,096,342 | 2.22 |
| Due from banks | 1,889,586 | 1.73 |
| Call loans (placement) | 26,344,242 | 2.82 |
| Due from Central Bank | 5,123,698 | 2.50 |
| Securities purchased | 25,270,928 | 3.33 |
| Loans, discounts and bills purchased | 167,058,000 | 5.96 |
| <u>Interest bearing liabilities</u> | | |
| Due to banks | 4,910 | 0.89 |
| Call loans (borrow) | 26,198,516 | 2.01 |
| Demand | 20,091,927 | 1.11 |
| Savings | 49,617,208 | 2.10 |
| Time | 94,112,474 | 2.36 |
| Time-savings | 57,918,658 | 3.34 |
| Negotiable certificates of deposit | 1,013,351 | 2.53 |

35. MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The maturity of assets and liabilities of Bank SinoPac is based on the remaining period from balance sheet dates. The remaining period to maturity is based on maturity dates specified under agreements, and, in cases where there are no specified maturity dates, based on expected dates of collection.

| | <u>June 30, 2002</u> | | | |
|--|----------------------------|--|---------------------------------|-----------------------|
| | <u>Due in One Year</u> | <u>Due between One Year and Five Years</u> | <u>Due after Five Years</u> | <u>Total</u> |
| <u>Assets</u> | | | | |
| Cash | \$ 53,743,468 | \$ - | \$ - | \$ 53,743,468 |
| Due from banks | 22,236,444 | - | - | 22,236,444 |
| Due from Central Bank | 9,461,956 | - | - | 9,461,956 |
| Securities purchased | 27,071,393 | - | - | 27,071,393 |
| Receivables | 11,345,539 | - | - | 11,345,539 |
| Loans, discounts and bills purchased (excluding non-performing loans) | <u>59,800,262</u> | <u>24,991,822</u> | <u>93,371,866</u> | <u>178,163,950</u> |
| | <u>\$ 183,659,062</u> | <u>\$ 24,991,822</u> | <u>\$ 93,371,866</u> | <u>\$ 302,022,750</u> |
| (Forward) | | | | |

| | June 30, 2002 | | | |
|-----------------------------|-----------------------|---|-------------------------|-----------------------|
| | Due in One Year | Due between One Year and Five Years | Due after Five Years | Total |
| <u>Liabilities</u> | | | | |
| Call loans and due to banks | \$ 48,644,129 | \$ - | \$ - | \$ 48,644,129 |
| Payables | 8,256,088 | - | - | 8,256,088 |
| Deposits and remittances | 223,570,968 | 6,847,731 | - | 230,418,699 |
| Bank debentures | - | 5,000,000 | - | 5,000,000 |
| | <u>\$ 280,471,185</u> | <u>\$ 11,847,731</u> | <u>\$ -</u> | <u>\$ 292,318,916</u> |

36. FINANCIAL INSTRUMENTS

a. Derivative financial instruments

Bank SinoPac and subsidiaries

Bank SinoPac and subsidiaries are engaged in foreign exchange and interest derivative transactions mainly to accommodate customers' needs and to manage its exposure positions. Bank SinoPac also enters into cross currency swap and asset swap contracts to hedge the effects of foreign exchange or interest rate fluctuations on its foreign-currency net assets. Bank SinoPac's strategy is to hedge most of the market risk exposures using hedging instruments whose changes in market value have a highly negative correlation with changes in the market of those exposures being hedged; Bank SinoPac also assesses the hedge effectiveness of the instruments periodically.

Bank SinoPac is exposed to credit risk in the event of nonperformance by the counterparties to the contracts. Bank SinoPac enters into contracts with customers that have satisfied the credit approval process and have provided necessary collateral. The transactions are then made within each customer's credit limits and guarantees deposit may be required, depending on the customer's credit standing. Transactions with other banks are made within the trading limit set for each bank based on Bank SinoPac's credit rating and its worldwide ranking. The associated credit risk has been considered in the evaluation of provision for credit losses.

The contract amounts (or notional amounts), credit risk and fair values of outstanding contracts were as follows:

| Financial Instruments | June 30, 2002 | | |
|--|----------------------------------|-------------|--------------|
| | Contract (Notional) Amount | Credit Risk | Fair Value |
| For the purpose of accommodating customers' needs or managing the Bank's exposure: | | | |
| Forward contracts | | | |
| Buy | \$ 25,080,290 | \$ 190,978 | (\$ 555,799) |
| Sell | 40,795,346 | 960,045 | 631,117 |

(Forward)

| Financial Instruments | June 30, 2002 | | |
|------------------------------|----------------------------------|-------------|--------------|
| | Contract (Notional) Amount | Credit Risk | Fair Value |
| Forward rate agreements | | | |
| Buy | \$ 39,285,966 | \$ - | (\$ 137,537) |
| Sell | 42,641,766 | 141,107 | 141,107 |
| Currency swap contracts | 91,967,108 | 1,735,593 | (247,197) |
| Interest rate swap contracts | 47,691,160 | 278,845 | (69,462) |
| Options | | | |
| As buyer | 51,830,540 | 1,464,561 | 1,880,632 |
| As seller | 51,899,698 | - | 1,881,371 |

The fair value of each contract is determined through quotations from Reuters or Telerate Information System.

As of June 30, 2002, Bank SinoPac entered into asset swap contracts for hedging purpose in which the notional amounts were \$1,459,773. Bank SinoPac entered into these contracts with counterparties that have splendid worldwide ranking and credit rating, thus, no significant credit risk is expected.

Bank SinoPac has entered into certain derivative contracts in which the notional amounts are used solely as a basis for calculating the amounts receivable and payable under the contracts. Thus, the notional amount does not represent the potential cash inflows or outflows. The possibility that derivative financial instruments held or issued by Bank SinoPac can not be sold at reasonable prices is minimal; accordingly, no significant cash demand is expected.

The gains and losses on derivative financial instruments for the six months ended June 30, 2002 are as follows:

| Account | | Six Months Ended June 30, 2002 |
|--|---|--|
| For hedging purposes: | | |
| Cross currency swap contracts | | |
| Realized | Interest revenue | \$ 31,690 |
| | Interest expense | 14,425 |
| For the purposes of accommodating customers' needs or managing Bank SinoPac's exposure: | | |
| Forward contracts | | |
| Realized | Foreign exchange gain | 7,432 |
| Unrealized | Foreign exchange gain | 139,232 |
| Forward rate agreements | | |
| Realized | Income from derivative financial transactions | 5,403 |
| Unrealized | Loss from derivative financial transactions | 3,976 |
| Currency swap contracts | | |
| Realized | Interest revenue | 161,904 |
| | Interest expense | 155,911 |

(Forward)

| | <u>Account</u> | Six Months Ended June 30, <u>2002</u> |
|---------------------------------|--|---|
| Interest rate swap contracts | | |
| Realized | Interest revenue | \$257,387 |
| | Interest expense | 280,611 |
| Unrealized | Income from derivative financial transactions | 7,804 |
| Options contracts | | |
| Realized | Income from derivative financial transactions and foreign exchange loss | (298,365) |
| Unrealized | Income from derivative financial transactions | 1,492 |
| Interest rate futures contracts | | |
| Realized | Loss from derivative financial transactions | 92,342 |

SinoPac Securities Corporation (formerly NSC)

1) Warrants

- a) The objective of issuing warrants and strategies to achieve such objective:

SinoPac Securities issued warrants for trading. However, SinoPac Securities holds securities to hedge market risk related to warrants issued. The changes in the market values of the underlying securities correspond to the changes in the fair value of the warrants issued. The effectiveness of the hedging activities as well as the sufficiency of the hedging security is closely monitored.

- b) Credit risk. SinoPac Securities is not exposed to credit risk because the premium has been received in the issuance of warrants.

- c) Market risk

The market risk on warrants issued principally arose from the changes in market prices of its underlying securities. SinoPac Securities manages the market risk by adopting dynamic hedging strategy and taking different position of warrants and underlying securities.

- d) Liquidity risk, risk of cash flows and the uncertainty as to the amount and timing of future cash requirement.

Warrants will expire in November 2002 and January 2003. Except for the cash inflows and outflows arising from hedging, no additional cash is needed.

e) Leverage of the instrument

| June 30, 2002 | | | | | | | |
|--|------------------------------|------------------------------|--|---------------|---|-----------------------------|------|
| <u>Date of Issuance</u> | <u>Underlying Securities</u> | <u>Units Issued</u> | <u>Price at Issuance (in New Taiwan Dollars)</u> | <u>Amount</u> | <u>Strike Price (in New Taiwan Dollars)</u> | <u>Leverage at Issuance</u> | |
| National Securities - 10) | October 29, 2001 | E.Sun Holding Co., Ltd. | 20,000,000 | \$ 1.1 | \$ 22,000 | \$ 19.20 | 11.6 |
| National Securities - 11 | January 7, 2002 | United Micro Electronics Co. | 19,000,000 | 11.2 | 212,800 | 62.40 | 4.6 |
| Less: Gain on change in market value of warrants liabilities as of June 30, 2002 | | | | | (164,850) | | |
| | | | | | <u>\$ 69,950</u> | | |

National Securities - 10 and 11 are American warrants that can be exercised at dates prior to the maturity dates of the warrants. The strike price is 150% and 120%, respectively, of the closing price of underlying security on a former trading date while issuing.

The above-mentioned warrants expire one year after their respective issue dates. Upon the exercise of the warrants, the Corporation can use either the underlying securities or cash to settle the transactions.

The market values of warrant liabilities were calculated using the closing price of the warrant as at June 30, 2002, respectively.

2) Interest rate swap

- a) SinoPac Securities has entered into interest rate swap (IRS) contracts with banks for hedging and trading purpose. For hedging purpose, the IRS contracts are entered into hedge the SinoPac Securities's interest rate exposure on fixed rate net asset position. SinoPac Securities has selected hedging instruments having negative correlation with fair value of the hedged items and periodically evaluates the effectiveness of these instruments; interest rate exchange with a transaction nature is based on SinoPac Securities's judgement on the fluctuation of interest rate and make a interest exchange contract with the purpose of profiting from interest rate differences.
- b) The information on the outstanding IRS contracts are as follows:

| | June 30, 2002 | | |
|---|-----------------------|--------------------|-------------------|
| | <u>Nominal Amount</u> | <u>Credit Risk</u> | <u>Fair Value</u> |
| <u>For trading purpose</u> | | | |
| Receiving fixed-rate and paying floating - rate | \$ 600,000 | \$12,424 | \$12,424 |
| Paying fixed-rate and receiving floating - rate | <u>1,200,000</u> | - | (19,448) |
| Interest rate swap position - net | <u>\$ 600,000</u> | | |

The counterparties to the foregoing swap contracts are reputable banks. Accordingly, SinoPac Securities does not expect significant exposure to credit risks.

c) Market risk

SinoPac Securities has used Value-at-Risks (VAR), base on statistical analysis of market data and foreign industrial standards, for evaluating market risks of the IRS contracts for trading purposes. As of June 30, 2002, the VAR was \$1,838.

No significant effect will result from interest rate fluctuations since all interest rate swaps are to hedge SinoPac Securities's interest rate exposure; therefore, market risk are minimal.

d) Cash flows and demands

Net interest, equal to the notional amount of the interest rate swap contracts multiplied by the difference in the interest rate bases, received or paid upon each settlement date, is not material. The notional amounts are not exchanged on the final settlement date. Therefore, the cash demand is not significant.

- e) The net interest revenue recognized by SinoPac Securities under the swap contracts for hedging purposes for the six months ended June 30, 2002 was \$507. The net interest expense recognized for trading purposes for the period ended June 30, 2002 was \$6,069.

3) Stock index future and options

- a) Derivative instruments in hands, the objectives of holding such instruments, and the strategies for achieving such objectives

SinoPac Securities uses stock index futures and options contracts for trading and hedging purposes. The stock index futures and options contracts for trading purposes increase the investment instruments, aggressively develop various services and heighten working capital efficiency. Furthermore, the stock index futures and options contracts for hedging purposes is hedged the market risks of listed securities. SinoPac Securities has selected hedging instruments as high correlation with price of hedge items and periodically evaluates the effectiveness of the instrument. The stock index futures and options exchanged by SinoPac Securities for the six months ended June 30, 2002 are for the trading purpose.

- b) Notional amount, fair value and credit risk

SinoPac Securities has entered into contracts with Taiwan Futures Exchange (TAIFEX) and there are no open stock index futures and options contract as of June 30, 2002; therefore, there are no related credit risk.

c) Market risk

Market risk is the fluctuation of market price for stock index futures and options. SinoPac Securities has appropriate risk control management and has set up stop loss points to monitor price fluctuation and holding position. When the balance of the trading margin account is lower than the maintenance margin, SinoPac Securities will recognize a loss by either settling the deal or putting in the additional deposits to the initial margin level. Complying with their hedge purpose, the market risk will offset with that of listed securities and the market risk to SinoPac Securities, taken as a whole, is not significant.

d) Liquidity risk, risk of cash flows and the uncertainty as to the amounts and timing of future cash required.

There are no open stock index futures and options contract as of June 30, 2002, therefore there are no liquidity risk.

The additional margin will be paid since the balance of the trading margin account is lower than the maintenance margin. So the demand of future cash flow is not significant.

e) Gain (loss) from transactions of stock index futures and options

SinoPac Securities incurred losses of \$19 for the six months ended June 30, 2002 on its transaction involving stock index futures and options.

SinoPac Securities Co., Ltd. (SPS)

1) Stock index futures contracts - for hedging purpose

a) Derivative instruments in hands, the objectives of holding such instruments, and the strategies for achieving such objectives

The objective of possessing stock index future contracts is to hedge the market risk of the listed securities held for dealing. The hedging strategy of SPS is to use the derivative instruments that have high-negative correlation with the price of hedged items to hedge the market risk and to continuously monitor the effectiveness of such hedging activity.

b) The notional amounts, fair value and credit risk

| <u>June 30, 2002</u> | <u>Notional Amount</u> | <u>Fair Value</u> |
|-----------------------|----------------------------|-----------------------|
| Sell July 2002 TAIFEX | <u>\$ 10,160</u> | <u>\$ 10,294</u> |

The fair value of each stock index futures contract is the closing price published by TAIFEX as of the balance sheet dates. Credit risks result from the event of nonperformance of the counterparties to the contracts on maturity. SPS has entered into the contracts with Taiwan Futures Exchange, therefore, there is not exposed to significant credit risks.

c) Market risk

Market risk represents the fluctuation in market price of TAIEX Futures. Such risk is used to hedge against the market risk of listed securities held for dealing.

d) Liquidity risk, risk of cash flows and the uncertainty as to the amounts and time of future needs for cash

The working capital of SPS is sufficient to fulfill the contracts. Furthermore, since the stock index future contracts are to hedge against the risk of listed securities held for dealing, the demand of cash is to be offset by the proceeds from the sales of such securities. Therefore, there is no significant future needs for cash.

e) Gains (losses) from stock index future contracts

As of June 30, 2002, the receivables incurred on transactions involving stock index futures amounted to \$15,682 (recorded as "other current assets - future guarantee deposits") and the related realized loss for the six months ended June 30, 2002 was \$2,256.

2) Stock warrants

a) Objectives and strategies

SPS issued stock warrants for trading purpose with risk monitoring strategy system. Premiums received related to stock warrants are recorded as liabilities when the warrant issued. The instruments are marked to market as of the balance sheet dates, and the resulting gain or loss is charged to current income. And the gain or loss upon the exercise of the warrants is charged to current income.

Such market value of securities has high positive correlation with market value of stock warrants. The investors exercise stock warrants to exchange for the underlying securities when the market value of underlying securities is higher than the exercise price plus issued price. SPS should hold the underlying securities to offset the major market risk of warrants. SPS periodically evaluates the effectiveness of the hedging activities and closely adjusts the hedge position of the securities accordingly.

b) Credit risk

SPS is not exposed to credit risk because the premium has been received in the issuance of warrants.

c) Market risk

The risk factors represent warrants prices influenced by the market value of underlying securities, interest rate variation and timing value. It is possible for SPS managing the market risk by taking different position on underlying securities.

- d) Liquidity risk, risk of cash flows and the uncertainty as to the amounts and time of future needs for cash

Since the portfolio of hedging securities consisting of the underlying securities has been established with the proceeds from the issuance of warrants, there will not be material future needs for cash. Moreover, since the underlying securities are carefully selected and traded in an open market, the liquidity risk is low. The only risk of cash flow arises from the needs for cash in adjusting the portfolio of hedging securities. While the liquidity of the market is high, such risk of cash flow is limited.

- e) Leverage ratio of the instruments as of June 30, 2002.

| Warrant Name | Underlying Stock | Issue Date | Units Issued | Issue Price (NT Dollar) | Amount | Exercise Price (NT Dollar) | Leverage Ratio |
|---|------------------|---------------|--------------|-------------------------|--------------------|----------------------------|----------------|
| SinoPac No. 01 | Yageo | June 18, 2001 | 20,000,000 | \$ 8.36 | \$ 167,200 | \$ 35.97 | 296 |
| Less - gain on revaluation of liabilities for stock warrants issued | | | | | (<u>166,200</u>) | | |
| | | | | | <u>\$ 1,000</u> | | |
| Market value | | | | | <u>\$ 1,000</u> | | |

The market value is based on the closing price at the last trading day in June 2002.

- f) Fair value of derivative financial instruments are as follows:

| | June 30, 2002 | |
|---|----------------|------------|
| | Carrying Value | Fair Value |
| <u>Assets</u> | | |
| Securities - hedge positions for stock warrants | \$ 715 | \$ 715 |
| <u>Liabilities</u> | | |
| Liabilities for stock warrants issued | 1,000 | 1,000 |
| Repurchased stock warrants | 3 | 3 |

- g) Gain (loss) on stock warrants issued

| | For the Six Months Ended June 30, 2002 |
|---|--|
| Loss on sale of securities - hedge positions for stock warrants | <u>\$ 34,671</u> |
| Gain on revaluation of liabilities for stock warrants issued | \$ 67,000 |
| Loss on revaluation of repurchased stock warrants | (<u>4,468</u>) |
| Net gain on stock warrants issued | <u>\$ 62,532</u> |

3) Interest rate swap contracts

a) Objectives and strategies

SPS has entered into interest rate swap contracts with banks to hedge its interest rate exposure on borrowings. It is solely for purpose other than trading. SPS's hedging strategy is to hedge the risk SPS is exposed to. SPS has selected hedging instruments having negative correlation with fair value of the hedged items and periodically evaluates the effectiveness of these instruments.

b) Credit risk

As of June 30, 2002, SPS was not exposed to credit risk because there was no unexpired interest rate swap contracts.

c) Market risk

No significant effect will result from interest rate fluctuations since all interest rate swaps are to hedge SPS's interest rate exposures; therefore, market risks are minimal.

d) Cash flows and demands

SPS has entered into interest rate swap contracts to hedge its exposures to fluctuations in interest rates. Net interest, equal to the principal multiplied by the difference in the interest rates, is received or paid upon each settlement date, which is not material. No receipt or payment of principal is required on the expiry date. Accordingly, the cash demands related to the swap contracts is not significant.

e) The net financial expense by SPS under the interest rate swap contracts for the six months ended June 30, 2002 was \$2.

b. Fair value of non-derivative financial instruments

| | <u>June 30, 2002</u> | |
|---|---------------------------|-------------------|
| | <u>Carrying Value</u> | <u>Fair Value</u> |
| <u>Assets</u> | | |
| Financial assets - with fair values approximating carrying amounts | \$ 124,305,487 | \$ 124,305,487 |
| Securities purchased | 41,801,724 | 41,871,940 |
| Securities - dealing and underwriting | 15,906,120 | 16,096,669 |
| Loans, discounts and bills purchased | 205,732,813 | 205,732,813 |
| Long-term equity investments | 6,601,894 | 6,602,437 |
| Other assets - guarantee deposits | 2,290,813 | 2,678,493 |
| <u>Liabilities</u> | | |
| Financial liabilities - with fair values approximating carrying amounts | \$ 94,637,544 | \$ 94,637,544 |
| Deposits and remittances | 262,212,039 | 262,212,039 |
| Bank debentures | 5,000,000 | 5,000,000 |
| Other liabilities | 1,133,845 | 1,133,845 |

Methods and assumptions applied in estimating the fair values of non-derivative financial instruments are as follows:

- 1) The carrying amounts of cash, due from banks, due from Central Bank, acceptances, accounts, interests and other receivables, securities purchased under agreements to resell, short-term borrowings, call loans and due to banks, acceptances payable, accounts, interests and other payables and securities sold under agreements to repurchase approximate their fair values because of the short maturities of these instruments.
- 2) The fair values of securities purchased, securities - dealing and underwriting and long-term equity investments are based on their market prices, if such market prices are available. Otherwise, fair values are estimated at their carrying amounts.
- 3) Loans, discounts and bills purchased, deposits and remittances, bank debentures and funds received for subloans are interest-earning assets and interest-bearing liabilities. Thus, their carrying amounts represent fair values. Fair value of non-performing loans is based on the carrying amount, which is net of allowance for bad debt.
- 4) The fair values of government bonds and bank debentures submitted as guarantee deposits are based on market values. Fair values of other guarantee deposits are estimated at their carrying amounts as such deposits do not have specific due dates.

Certain financial instruments and all nonfinancial instruments are excluded from disclosure of fair value. Accordingly, the aggregate fair values presented above do not represent the underlying value of the Company.

c. Off-balance-sheet credit risks

The Company has significant credit commitments principally relating to customer financing activities. The terms of most of the credit commitments are under seven years. For the six months ended June 30, 2002, the interest rates of the loans range from 0.38% to 14.00%. The Company also issues financial guarantees and standby letters of credit to guarantee the performance of a customer obligations to a third party. The terms of these guarantees are usually one year, and their maturity dates are not concentrated in any particular period.

The contract amounts of financial instruments with off-balance-sheet credit risks as of June 30, 2002 are as follows:

| | <u>June 30, 2002</u> |
|--|----------------------|
| Financial guarantees and standby letters of credit | \$ 23,265,226 |
| Irrevocable loan commitments | 11,645,687 |

Since most of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash demands. The Company's maximum credit risk relative to these commitments is the amount of the commitment assuming that the customer uses the full amount of the commitment and the related collateral or the security turn out to be worthless.

The Company makes credit commitments and issues financial guarantees and standby letters of credit only after careful evaluation of customers' creditworthiness. Based on the result of the credit evaluation, the Company may require collateral before drawings are made against the credit facilities. As of June 30, 2002, secured loans both amounted to about 78.5% of the total loans. Collaterals held vary but may include cash, inventories, marketable securities, and other property. When the customers default, the Company will, as required by circumstances foreclose the collateral or execute other rights arising out of the guarantees given.

37. CONDENSED BALANCE SHEETS AND STATEMENTS OF INCOME OF SUBSIDIARIES

a. Condensed balance sheets

| BANK SINOPAC | | | |
|--|-----------------------|--|-----------------------|
| BALANCE SHEET | | | |
| June 30, 2002 | | | |
| (Amounts Expressed in Thousands of New Taiwan Dollars) | | | |
| <u>Assets</u> | | <u>Liabilities</u> | |
| Cash | \$ 53,743,468 | Due to Central Bank and other banks | \$ 48,644,129 |
| Due from other banks | 22,236,444 | Payables | 8,256,088 |
| Due from Central Bank | 9,461,956 | Deposits and remittances | 230,418,699 |
| Securities purchased - net | 27,071,393 | Bank debenture payable | 5,000,000 |
| Receivables - net | 11,281,002 | Other liabilities | <u>3,094,220</u> |
| Prepayments | 288,763 | Total liabilities | <u>295,413,136</u> |
| Loans, discounts and bills purchased - net | 178,485,709 | <u>Stockholders' equity</u> | |
| Long-term equity investments | 8,224,466 | Capital stock | 19,443,975 |
| Properties - net | 4,739,814 | Capital surplus | 127,147 |
| Other assets | <u>3,248,535</u> | Retained earnings | 4,514,000 |
| | | Cumulative translation adjustments | (<u>716,708</u>) |
| | | Total stockholders' equity | <u>23,368,414</u> |
| Total assets | <u>\$ 318,781,550</u> | Total liabilities and stockholders' equity | <u>\$ 318,781,550</u> |

SINOPAC SECURITIES CORPORATION (FORMERLY NSC)

| BALANCE SHEET | | | |
|--|----------------------|--|----------------------|
| June 30, 2002 | | | |
| (Amounts Expressed in Thousands of New Taiwan Dollars) | | | |
| <u>Assets</u> | | <u>Liabilities</u> | |
| Current assets | \$ 32,943,639 | Current liabilities | \$ 21,912,397 |
| Long-term investments | 1,812,743 | Other liabilities | <u>296,704</u> |
| Properties - net | 2,554,403 | Total liabilities | <u>22,209,101</u> |
| Other assets | 1,804,898 | <u>Stockholders' equity</u> | |
| Securities brokerage debit account - net | <u>254,662</u> | Capital stock | 12,760,388 |
| | | Capital surplus | 1,358,015 |
| | | Retained earnings | 3,558,215 |
| | | Cumulative translation adjustments | (<u>515,374</u>) |
| | | Total stockholders' equity | <u>17,161,244</u> |
| Total assets | <u>\$ 39,370,345</u> | Total liabilities and stockholders' equity | <u>\$ 39,370,345</u> |

SINOPAC SECURITIES CO., LTD.

BALANCE SHEET

June 30, 2002

(Amounts Expressed in Thousands of New Taiwan Dollars)

| <u>Assets</u> | | <u>Liabilities</u> | |
|--|----------------------|--|----------------------|
| Current assets | \$ 14,992,174 | Current liabilities | \$ 12,967,909 |
| Long-term investments | 810,632 | Other liabilities | <u>126,886</u> |
| Properties - net | 217,798 | Total liabilities | <u>13,094,795</u> |
| Other assets | 487,869 | | |
| Securities brokerage debit account - net | <u>83,982</u> | <u>Stockholders' equity</u> | |
| | | Capital stock | 3,179,160 |
| | | Retained earnings | 310,350 |
| | | Cumulative translation adjustments | <u>8,150</u> |
| | | Total stockholders' equity | <u>3,497,660</u> |
| | | | |
| Total assets | <u>\$ 16,592,455</u> | Total liabilities and stockholders' equity | <u>\$ 16,592,455</u> |

b. Condensed statements of income

BANK SINOPAC

STATEMENT OF INCOME

For the Six Months Ended June 30, 2002

(Amounts Expressed in Thousands of New Taiwan Dollars, Except Earnings Per Share)

| | |
|------------------------------|---------------------|
| Operating revenues | \$ 7,664,778 |
| Operating expenses | <u>6,113,265</u> |
| Operating income | 1,551,513 |
| Non-operating income | 39,795 |
| Non-operating expenses | <u>17,760</u> |
| Income before income tax | <u>1,573,548</u> |
| | |
| Net income | <u>\$ 1,233,586</u> |
| | |
| Pre-tax earnings per share | <u>\$0.83</u> |
| | |
| After tax earnings per share | <u>\$0.65</u> |

SINOPAC SECURITIES CORPORATION (FORMERLY NSC)

STATEMENT OF INCOME

For the Six Months Ended June 30, 2002

(Amounts Expressed in Thousands of New Taiwan Dollars, Except Earnings Per Share)

| | |
|------------------------------|---------------------|
| Operating revenues | \$ 2,903,831 |
| Operating expenses | <u>1,728,075</u> |
| Operating income | 1,175,756 |
| Non-operating income | 214,213 |
| Non-operating expenses | <u>105,345</u> |
| Income before income tax | <u>1,284,624</u> |
| Net income | <u>\$ 1,089,942</u> |
| Pre-tax earnings per share | <u>\$1.05</u> |
| After tax earnings per share | <u>\$0.89</u> |

SINOPAC SECURITIES CO., LTD.

STATEMENT OF INCOME

For the Six Months Ended June 30, 2002

(Amounts Expressed in Thousands of New Taiwan Dollars, Except Earnings Per Share)

| | |
|------------------------------|-------------------|
| Operating revenues | \$ 754,049 |
| Operating expenses | <u>579,550</u> |
| Operating income | 174,499 |
| Non-operating income | 158,996 |
| Non-operating expenses | <u>115,470</u> |
| Income before income tax | <u>218,025</u> |
| Net income | <u>\$ 149,455</u> |
| Pre-tax earnings per share | <u>\$0.69</u> |
| After tax earnings per share | <u>\$0.47</u> |

38. INFORMATION ON CONCENTRATIONS OF RISK

The Company has no credit risk concentration arising from any individual counterparty or groups of counterparties engaged in similar business activities. Industries which account for 5% or more of the outstanding loans as of June 30, 2002 are as follows:

| | |
|---------------------|----------------------|
| | <u>June 30, 2002</u> |
| Natural person | \$ 126,343,569 |
| Manufacturing | 16,066,908 |
| Foreign corporation | 14,929,892 |

The net positions on foreign-currency transactions as of June 30, 2002 are not significant.

39. ADDITIONAL DISCLOSURES

- a. Followings are the additional disclosures required by the SFC for the Company and affiliates:
- 1) Marketable securities held: Please see Table 1;
 - 2) Marketable securities acquired and disposed of, at costs or prices of at least NT\$100 million or 20% of the issued capital: Please see Table 2;
 - 3) Collateral/guarantee provided: Please see Table 3;
 - 4) Financing provided: Please see Table 4;
 - 5) Names, locations, and other information of investees on which the Company exercises significant influences: Please see Table 5;
 - 6) Derivative financial transactions: Please see Note 32;
- b. Information Related to Investment in Mainland China: None.

SINOPAC HOLDINGS AND INVESTEEES
MARKETABLE SECURITIES HELD
June 30, 2002
(Amounts Expressed in Thousand New Taiwan Dollars)

| Held Company Name | Marketable Securities Type and Name | Relationship with the Company | Financial Statement Account | June 30, 2002 | | | | Note | |
|------------------------|---|---|--|------------------------------|------------------|----------------------------|---|-----------|--------|
| | | | | Shares (In Thousand) | Carrying Value | Percentage of Ownership | Market Value or Net Asset Value (Note 1) | | |
| SinoPac Holdings | <u>Stock</u> | | | | | | | | |
| | Bank SinoPac | Subsidiary | Long-term equity investments | 1,944,398 (Note 8) | \$20,471,492 | 100.00% | \$23,368,414 | Note 5 | |
| | SinoPac Securities Corporation (formerly National Securities Corporation) | Subsidiary | Long-term equity investments | 1,276,039 (Note 8) | 17,161,244 | 100.00% | 17,161,244 | Note 5 | |
| | SinoPac Securities Co., Ltd. | Subsidiary | Long-term equity investments | 317,916 | 3,497,660 | 100.00% | 3,497,660 | Note 5 | |
| Bank SinoPac | <u>Stock</u> | | | | | | | | |
| | SinoPac Bancorp | Subsidiary | Long-term equity investments | 20 | 4,326,405 | 100.00% | 4,326,405 | Note 5 | |
| | Rocorp Holdings S.A. | An investee accounted for by the equity method | Long-term equity investments | 0.11 | 3,531 | 33.33% | 3,531 | Note 6 | |
| | SinoPac Leasing Corporation | Subsidiary | Long-term equity investments | 149,652 | 1,902,129 | 99.77% | 1,684,903 | Note 4 | |
| | SinoPac Capital Limited | Subsidiary | Long-term equity investments | 229,998 | 920,594 | 99.99% | 920,594 | Note 4 | |
| | SinoPac Financial Consulting Co., Ltd. | Subsidiary | Long-term equity investments | 194 | 3,102 | 97.00% | 3,102 | Note 4 | |
| | Aetna Sinopac Credit Card Co., Ltd. | An investee accounted for by the equity method | Long-term equity investments | 81,104 | 241,937 | 49.76% | 241,937 | Note 4 | |
| | SinoPac Life Insurance Agent Co., Ltd. | Subsidiary | Long-term equity investments | 194 | 24,118 | 97.00% | 24,118 | Note 4 | |
| | SinoPac Property Insurance Agent Co., Ltd. | Subsidiary | Long-term equity investments | 194 | 2,948 | 97.00% | 2,948 | Note 4 | |
| | Ruentex Industries Co., Ltd. | Supervisor of the Bank and an investee accounted for by the cost method | Long-term equity investments | 11,452 | 165,486 (Note 3) | 1.45% | 184,383 | Note 2 | |
| | Chiao Tung Financial Holding Co., Ltd. | An investee accounted for by the cost method | Long-term equity investments | 3,622 | 110,732 (Note 3) | 0.13% | 80,370 | Note 2 | |
| | Vate Technology Co., Ltd. | An investee accounted for by the cost method | Long-term equity investments | 496 | 6,272 (Note 3) | 0.25% | 2,009 | Note 2 | |
| | China Television Co., Ltd. | An investee accounted for by the cost method | Long-term equity investments | 12,468 | 364,539 (Note 3) | 3.40% | 123,807 | Note 2 | |
| | Global Securities Finance Corp. | An investee accounted for by the cost method | Long-term equity investments | 11,719 | 100,000 | 1.56% | 130,759 | Note 4 | |
| | Z-Com, Inc. | An investee accounted for by the cost method | Long-term equity investments | 945 | 13,230 | 1.58% | 12,031 | Note 4 | |
| | Taipei Forex Inc. | An investee accounted for by the cost method | Long-term equity investments | 80 | 800 | 0.40% | 1,072 | Note 4 | |
| | Taiwan International Merchantile Exchange Corp. | An investee accounted for by the cost method | Long-term equity investments | 899 | 8,990 | 0.45% | 9,868 | Note 4 | |
| | Taiwan Leader Advanced Technology Co., Ltd. | An investee accounted for by the cost method | Long-term equity investments | 1,103 | 16,554 | 1.07% | 10,262 | Note 4 | |
| | Apack Technology Inc. | An investee accounted for by the cost method | Long-term equity investments | 2,485 | 25,059 | 1.31% | 15,790 | Note 4 | |
| | | Fuh-Hwa Investment Trust Co., Ltd. | An investee accounted for by the cost method | Long-term equity investments | 2,400 | 24,000 | 7.77% | 30,439 | Note 4 |
| | | Financial Information Services Co., Ltd. | An investee accounted for by the cost method | Long-term equity investments | 4,550 | 45,500 | 1.14% | 61,363 | Note 4 |
| | | Taiwan Asset Management Corporation | An investee accounted for by the cost method | Long-term equity investments | 5,000 | 50,000 | 0.28% | 50,575 | Note 4 |
| | | Taiwan Financial Asset Service Corporation | An investee accounted for by the cost method | Long-term equity investments | 5,000 | 50,000 | 2.94% | 50,667 | Note 4 |
| | | Prudence Venture Investment Corporation | An investee accounted for by the cost method | Long-term equity investments | 5,000 | 50,000 | 2.50% | 49,859 | Note 4 |
| | | Mondex Taiwan Inc. | An investee accounted for by the cost method | Long-term equity investments | 2,000 | 25,000 | 6.92% | 18,471 | Note 4 |
| | SinoPac Bancorp | <u>Stock</u> | | | | | | | |
| | | Far East National Bank | Subsidiary | Long-term equity investments | 170 | 4,330,369 | 100.00% | 4,330,369 | Note 4 |
| Far East National Bank | <u>Stock</u> | | | | | | | | |
| | Far East Capital Corporation | Subsidiary | Long-term equity investments | 350 | 83,683 | 100.00% | 83,683 | Note 4 | |
| | FENB Securities, Inc. | Subsidiary | Long-term equity investments | 3 | 12,374 | 100.00% | 12,374 | Note 4 | |
| | FENB Loan Corp. | Subsidiary | Long-term equity investments | 0.1 | 19 | 100.00% | 19 | Note 4 | |
| | FENB Film Corp. | Subsidiary | Long-term equity investments | 0.1 | (22,078) | 100.00% | (22,078) | Note 4 | |
| | Federal Reserve Bank | An investee accounted for by the cost method | Long-term equity investments | 62 | 103,407 | - | 103,407 | Note 6 | |

(Forward)

| Held Company Name | Marketable Securities Type and Name | Relationship with the Company | Financial Statement Account | June 30, 2002 | | | | Note |
|-------------------------------------|--|--|------------------------------|-------------------------|-----------------|----------------------------|---|--------|
| | | | | Shares (In Thousand) | Carrying Value | Percentage of Ownership | Market Value or Net Asset Value (Note 1) | |
| Far East Capital Corporation | Federal Home Loan Bank | An investee accounted for by the cost method | Long-term equity investments | 75 | \$ 251,685 | - | \$ 251,685 | Note 6 |
| | Southern California Business Development Corporation (SCBDC) | An investee accounted for by the cost method | Long-term equity investments | 40 | 1,342 | - | 1,342 | Note 6 |
| | California Economic Development Lending Initiative (CEDLI) | An investee accounted for by the cost method | Long-term equity investments | 50 | 1,678 | - | 1,678 | Note 6 |
| | <u>Corporate bond</u> FHLMC | - | Long-term bond investments | 227,677 | 223,022 | - | 223,022 | Note 7 |
| | <u>Fund</u> Genesis L.A. Real Estate Fund LLC | - | Long-term investments | - | 24,221 | - | 24,221 | Note 6 |
| | California Tax Credit Fund LLC | - | Long-term investments | - | 28,898 | - | 28,898 | Note 6 |
| | Bay Area Smart Growth Fund LLC | - | Long-term investments | - | 1,876 | - | 1,876 | Note 6 |
| | <u>Stock (common stock)</u> Metropolis Digital | An investee accounted for by the cost method | Long-term equity investments | 1,257 | 8,439 | 8.00% | 8,439 | Note 6 |
| | Hollywood International Financial Inc. | An investee accounted for by the cost method | Long-term equity investments | 0.302 | 10 | 15.10% | 10 | Note 6 |
| | PCRS Capital Partners, LLC | An investee accounted for by the cost method | Long-term equity investments | - | 3,356 | 4.00% | 3,356 | Note 6 |
| | TVIA, Inc. | An investee accounted for by the cost method | Long-term equity investments | 33 | 8,389 | 0.20% | 8,389 | Note 6 |
| | Softknot Corporation | An investee accounted for by the cost method | Long-term equity investments | 9 | 2 | - | 2 | Note 6 |
| | <u>Stock (preferred stock)</u> AgraQuest, Inc. | An investee accounted for by the cost method | Long-term equity investments | 100 | 7,886 | 0.80% | 7,886 | Note 6 |
| iPhysician Net, Inc. | An investee accounted for by the cost method | Long-term equity investments | 115 | 13,642 | 0.30% | 13,642 | Note 6 | |
| Silicon Motion Inc. | An investee accounted for by the cost method | Long-term equity investments | 61 | 8,390 | 0.20% | 8,390 | Note 6 | |
| Softknot Corporation | An investee accounted for by the cost method | Long-term equity investments | 250 | 6,712 | 2.00% | 6,712 | Note 6 | |
| Zone Reactor, Inc. | An investee accounted for by the cost method | Long-term equity investments | 300 | 5,034 | 1.50% | 5,034 | Note 6 | |
| SinoPac Leasing Corporation | <u>Stock</u> Grand Capital International Limited | Subsidiary | Long-term equity investments | 29,900 | 1,228,354 | 100.00% | 1,228,354 | Note 4 |
| | Bank of Overseas Chinese | An investee accounted for by the cost method | Long-term equity investments | 5,482 | 78,538 (Note 3) | 0.33% | 17,156 | Note 2 |
| | Chain Yarn Co., Ltd. | An investee accounted for by the cost method | Long-term equity investments | 1,969 | 38,444 | 1.90% | 21,209 | Note 4 |
| | Tekcon Electronics Corp. | An investee accounted for by the cost method | Long-term equity investments | 832 | 20,768 | 1.51% | 7,480 | Note 4 |
| | Global Securities Finance Corporation | An investee accounted for by the cost method | Long-term equity investments | 1,423 | 15,664 | 0.19% | 15,926 | Note 4 |
| | Z-Com, Inc. | An investee accounted for by the cost method | Long-term equity investments | 300 | 6,600 | 0.50% | 3,819 | Note 4 |
| | Walsin Advanced Electronics Ltd. | An investee accounted for by the cost method | Long-term equity investments | 1,528 | 23,616 | 0.50% | 14,433 | Note 4 |
| | Telexpress Corp. | An investee accounted for by the cost method | Long-term equity investments | 525 | 7,835 | 5.00% | 5,468 | Note 4 |
| Grand Capital International Limited | <u>Venture fund</u> World Wide Multimedia L.P. | - | Long-term investments | 0.005 | 83,895 | 16.34% | 83,067 | Note 4 |
| | <u>Stock (preferred stock)</u> Silicon Motion Inc. | An investee accounted for by the cost method | Long-term equity investments | 86 | 10,067 | 0.34% | 10,067 | Note 6 |
| | @Network, Inc. | An investee accounted for by the cost method | Long-term equity investments | 106 | 10,067 (Note 3) | 0.54% | 10,067 | Note 6 |
| | Best 3C. Com, Inc. | An investee accounted for by the cost method | Long-term equity investments | 600 | 15,101 | 1.85% | 15,101 | Note 6 |
| | e21 Corp. | An investee accounted for by the cost method | Long-term equity investments | 200 | 10,067 | 0.79% | 10,067 | Note 6 |
| | Netvista (B.V.I.) Holding Company, Ltd. | An investee accounted for by the cost method | Long-term equity investments | 600 | 10,067 | 3.30% | 10,067 | Note 6 |
| | Ciphergen Biosystems Inc. | An investee accounted for by the cost method | Long-term equity investments | 45 | 9,586 | 0.17% | 9,586 | Note 6 |
| | <u>Convertible bond</u> Macronix Int'l Co. | - | Short-term investments | 17,500 | 16,828 | - | 16,828 | Note 6 |

(Forward)

| Held Company Name | Marketable Securities Type and Name | Relationship with the Company | Financial Statement Account | June 30, 2002 | | | | Note |
|-------------------------------------|--|--|------------------------------|------------------------------|----------------|----------------------------|---|---------|
| | | | | Shares (In Thousand) | Carrying Value | Percentage of Ownership | Market Value or Net Asset Value (Note 1) | |
| SinoPac Capital Limited | <u>Stock</u> SinoPac Capital (B.V.I.) Ltd. | Subsidiary | Long-term equity investments | 4,450 | \$ 156,897 | 100.00% | \$ 156,897 | Note 4 |
| | Harbin Brewery Group | - | Short-term investments | 4,000 | 26,848 | 1.65% | 30,978 | Note 2 |
| | <u>Convertible bill</u> Silicon Magic Corporation | - | Short-term investments | - | 100,702 | - | 100,702 | Note 6 |
| | Harbin Brewery Group | - | Short-term investments | - | 33,560 | - | 33,560 | Note 6 |
| SinoPac Capital (B.V.I.) Ltd. | <u>Stock</u> Cyberpac Holding Ltd. (B.V.I.) | Subsidiary | Long-term equity investments | 0.002 | (51,375) | 100.00% | (51,375) | Note 4 |
| | Allstar Venture Ltd. (B.V.I.) | Subsidiary | Long-term equity investments | 0.002 | (113,550) | 100.00% | (113,550) | Note 4 |
| | Shanghai International Asset Management (Hong Kong) Co., Ltd. | Subsidiary | Long-term equity investments | 4,800 | 32,850 | 60.00% | 32,850 | Note 4 |
| | Pinnacle Investment Management Ltd. | Subsidiary | Long-term equity investments | 200 | 4,155 | 99.9995% | 4,155 | Note 4 |
| Cyberpac Holding Ltd. (B.V.I.) | <u>Venture fund</u> 3V Source One LP | - | Long-term investments | 2,000 | 68,570 | 71.43% | 59,510 | Note 4 |
| | <u>Stock</u> Wal Tech International Corporation | Subsidiary | Long-term equity investments | 12,497 | 98,554 | 99.98% | 93,056 | Note 4 |
| Allstar Venture Ltd. (B.V.I.) | BSP Venture Management (B.V.I.) Ltd. | Subsidiary | Long-term equity investments | 50 | 1,122 | 100.00% | 1,122 | Note 4 |
| | Telexpress Corp. | An investee accounted for by the equity method | Long-term equity investments | 3,900 | 51,418 | 34.21% | 35,356 | Note 4 |
| | Hollywood International Finance Inc. | An investee accounted for by the cost method | Long-term equity investments | 0.098 | 3 | 4.90% | 3 | Note 4 |
| | <u>Venture fund</u> InveStar Excelsus Venture Capital (Int'l) Inc., LDC | - | Long-term investments | 2,220 | 81,981 | 6.91% | 77,050 | Note 5 |
| Wal Tech International Corporation | UOB | - | Long-term investments | 26 | 74,879 | 8.62% | 66,419 | Note 4 |
| | MDS Life Sciences Technology Fund | - | Long-term investments | 50 | 112,342 | 2.67% | 10,437 | Note 5 |
| | Bio Asia Investment, LLC/BDF II | - | Long-term investments | - | 34,986 | 2.30% | 34,986 | Note 6 |
| | NAVF II | - | Long-term investments | - | 45,152 | 2.07% | 45,152 | Note 6 |
| | <u>Stock (common stock)</u> Ardent Pharmaceutica, Inc. | An investee accounted for by the cost method | Long-term equity investments | 143 | 17,153 | 0.58% | 17,153 | Note 6 |
| | TVIA, Inc. | An investee accounted for by the cost method | Long-term equity investments | 167 | 9,855 | 0.76% | 9,855 | Note 6 |
| | Dicon Fiberoptics, Inc. | An investee accounted for by the cost method | Long-term equity investments | 221 | 33,552 | 0.20% | 33,552 | Note 6 |
| | <u>Stock (preferred stock)</u> Sunol Molecular Corp. | An investee accounted for by the cost method | Long-term equity investments | 100 | 16,937 | 0.92% | 16,937 | Note 6 |
| | Phytoceutica, Inc. | An investee accounted for by the cost method | Long-term equity investments | 200 | 17,310 | 1.10% | 17,310 | Note 6 |
| | Selective Genetics, Inc. | An investee accounted for by the cost method | Long-term equity investments | 50 | 10,418 | 0.54% | 10,418 | Note 6 |
| | Immusol, Inc. | An investee accounted for by the cost method | Long-term equity investments | 75 | 10,292 | 0.16% | 10,292 | Note 6 |
| | Virtual Silicon Technology, Inc. | An investee accounted for by the cost method | Long-term equity investments | 120 | 10,283 | 0.31% | 10,283 | Note 6 |
| | BioAgri Corp. | An investee accounted for by the cost method | Long-term equity investments | 63 | 10,067 | 0.90% | 10,067 | Note 6 |
| | Divio Inc. | An investee accounted for by the cost method | Long-term equity investments | 125 | 16,779 | 0.76% | 16,779 | Note 6 |
| | Wal Tech International Corporation | <u>Stock</u> Intellisys Corp. | Subsidiary | Long-term equity investments | 10,326 | 246,888 | 62.58% | 119,189 |
| Multiwin Asset Management Co., Ltd. | | An investee accounted for by the equity method | Long-term equity investments | 1,800 | 7,495 | 30.00% | 7,991 | Note 4 |
| Monmon Medza Technology Co., Ltd. | | An investee accounted for by the equity method | Long-term equity investments | 598 | 4,818 | 32.39% | 4,811 | Note 4 |
| Medigen Biotechnology Corp. | | An investee accounted for by the cost method | Long-term equity investments | 232 | 2,320 | 0.20% | 1,980 | Note 4 |
| Fu Po Electronics Corporation | | An investee accounted for by the cost method | Long-term equity investments | 1,650 | 29,700 | 1.68% | 9,393 | Note 4 |
| Webi & Neti Internet Services Inc. | | An investee accounted for by the cost method | Long-term equity investments | 250 | 5,000 | 2.63% | 1,160 | Note 4 |

(Forward)

| Held Company Name | Marketable Securities Type and Name | Relationship with the Company | Financial Statement Account | June 30, 2002 | | | | Note |
|---|--|--|------------------------------|-------------------------|------------------|----------------------------|---|--------|
| | | | | Shares (In Thousand) | Carrying Value | Percentage of Ownership | Market Value or Net Asset Value (Note 1) | |
| Intellisys Corp. | YesMobile Ltd. | An investee accounted for by the cost method | Long-term equity investments | 400 | \$ 12,000 | 2.00% | \$ 3,813 | Note 4 |
| | SynTest Technologies, Inc., Taiwan | An investee accounted for by the cost method | Long-term equity investments | 79 | 10,598 | 0.35% | 811 | Note 4 |
| | Taiwan Leader Advanced Technology Co., Ltd. | An investee accounted for by the cost method | Long-term equity investments | 1,575 | 15,000 | 1.53% | 14,674 | Note 4 |
| | Runhorn Pretech Engineering Co., Ltd. | A subsidiary of the Bank's supervisor and an investee accounted for by the cost method | Long-term equity investments | 4,000 | 40,000 | 10.00% | 20,839 | Note 4 |
| | Media Reality Technologies, Inc. | An investee accounted for by the cost method | Long-term equity investments | 800 | 13,598 | 1.78% | 8,124 | Note 5 |
| | Advanced Power Electronics Corp. | An investee accounted for by the cost method | Long-term equity investments | 660 | 14,520 | 1.32% | 8,647 | Note 4 |
| | Nanya PCB Corporation | An investee accounted for by the cost method | Long-term equity investments | 585 | 36,788 | 0.13% | 5,294 | Note 4 |
| | ENE Technology Inc. | An investee accounted for by the cost method | Long-term equity investments | 263 | 10,828 | 1.20% | 2,668 | Note 4 |
| | <u>Beneficiary certificate</u> | | | | | | | |
| | KGI Pioneer Fund | - | Short-term investments | 200 | 2,000 (Note 3) | - | 1,756 | Note 7 |
| Apollo Nobel Fund | - | Short-term investments | 10 | 100 (Note 3) | - | 82 | Note 7 | |
| Intellisoft Corporation | <u>Stock</u> | | | | | | | |
| | Orion Financial Tech. Ltd. | An investee accounted for by the cost method | Long-term equity investments | 81 | 525 | 5.06% | 205 | Note 4 |
| | Intellisoft Corporation | Subsidiary | Long-term equity investments | 500 | 15,248 | 100.00% | 14,598 | Note 4 |
| SinoPac Securities Corporation | <u>Stock</u> | | | | | | | |
| | Intellisys Shanghai Corporation | Subsidiary | Long-term equity investments | 300 | 10,067 | 100.00% | 10,067 | Note 6 |
| SinoPac Securities Corporation | SinoPac Futures Corp. (formerly National Futures Corp.) | Subsidiary | Long-term equity investments | 35,348 | 378,981 | 88.37% | 378,981 | Note 5 |
| | SinoPac Securities (Cayman) Holdings Ltd. (formerly NSC (Cayman) Holdings Ltd.) | Subsidiary | Long-term equity investments | 22,100 | 835,146 | 100.00% | 835,146 | Note 5 |
| | SinoPac Capital Management Corp. (formerly Wan Sheng Securities Investment Consulting Co., Ltd.) | Subsidiary | Long-term equity investments | 20,887 | 211,981 | 99.46% | 211,269 | Note 5 |
| | Fu-Ban Securities Finance Co., Ltd. | An investee accounted for by the cost method | Long-term equity investments | 2,945 | 29,037 | 0.50% | 29,037 | Note 4 |
| | Global Securities Finance Co., Ltd. | An investee accounted for by the cost method | Long-term equity investments | 2,628 | 23,562 | 0.35% | 23,562 | Note 5 |
| | Taiwan Securities Central Depository Co., Ltd. | An investee accounted for by the cost method | Long-term equity investments | 1,515 | 12,858 | 0.63% | 12,858 | Note 4 |
| | Taiwan Future Exchange Co., Ltd. | An investee accounted for by the cost method | Long-term equity investments | 1,120 | 11,560 | 0.56% | 11,560 | Note 5 |
| | Top Taiwan III Venture Capital Co., Ltd. | An investee accounted for by the cost method | Long-term equity investments | 5,000 | 50,000 | 5.00% | 50,000 | Note 4 |
| | Shengtung Venture Capital Corporation | An investee accounted for by the cost method | Long-term equity investments | 6,500 | 65,000 | 10.00% | 65,000 | Note 6 |
| | Chiachen Chiayi Venture Capital Corporation | An investee accounted for by the cost method | Long-term equity investments | 2,000 | 20,000 | 10.00% | 20,000 | Note 6 |
| | Communicator II Venture Holding Ltd. | An investee accounted for by the cost method | Long-term equity investments | 5,500 | 55,000 | 10.00% | 55,000 | Note 6 |
| | Honpang Venture Capital Corp. | An investee accounted for by the cost method | Long-term equity investments | 8,000 | 80,000 | 10.00% | 80,000 | Note 6 |
| | <u>Beneficiary certificate</u> | | | | | | | |
| | Grand Cathay Small And Medium Fund | - | Short-term investments | 1,000 | 10,010 (Note 3) | - | 10,100 | Note 7 |
| | Ta Chong Enterpriser Fund | - | Short-term investments | 692 | 10,000 (Note 3) | - | 8,015 | Note 7 |
| | Ta Chong Bond Fund | - | Short-term investments | 8,328 | 100,000 (Note 3) | - | 100,687 | Note 7 |
| | Chung Hsing Taiwan Fund | - | Short-term investments | 3,000 | 30,030 (Note 3) | - | 29,310 | Note 7 |
| | The Global Fund | - | Short-term investments | 4,000 | 40,000 (Note 3) | - | 40,000 | Note 7 |
| | The Wan Tai Bond Fund | - | Short-term investments | 46,550 | 597,283 (Note 3) | - | 607,943 | Note 7 |
| | Jihsum Balanced Fund | - | Short-term investments | 1,000 | 10,010 (Note 3) | - | 10,190 | Note 7 |
| Harvest Bond Fund | - | Short-term investments | 4,925 | 50,000 (Note 3) | - | 50,000 | Note 7 | |
| E. Sun Deng Feng Fund | - | Short-term investments | 2,000 | 20,000 (Note 3) | - | 17,740 | Note 7 | |
| Jf (Taiwan) New America Trust | - | Short-term investments | 3,000 | 30,090 (Note 3) | - | 28,980 | Note 7 | |
| Asia Pacific Fund | - | Short-term investments | 2,079 | 20,157 (Note 3) | - | 15,343 | Note 7 | |
| Asia Pacific Bond Fund | - | Short-term investments | 25,684 | 300,705 (Note 3) | - | 304,097 | Note 7 | |
| Tiim Action Fund | - | Short-term investments | 1,188 | 10,000 (Note 3) | - | 8,257 | Note 7 | |
| Tiim Concept Fund | - | Short-term investments | 1,571 | 20,000 (Note 3) | - | 15,789 | Note 7 | |
| US High-Tech Fund | - | Short-term investments | 3,000 | 30,060 (Note 3) | - | 27,090 | Note 7 | |
| Prudential Financial Global Bio-Health Fund | - | Short-term investments | 2,000 | 20,050 (Note 3) | - | 20,000 | Note 7 | |
| Prudential Financial Bond Fund | - | Short-term investments | 29,948 | 405,087 (Note 3) | - | 406,992 | Note 7 | |

(Forward)

| Held Company Name | Marketable Securities Type and Name | Relationship with the Company | Financial Statement Account | June 30, 2002 | | | | Note |
|---|--|--|------------------------------|-------------------------|--------------------|----------------------------|---|--------|
| | | | | Shares (In Thousand) | Carrying Value | Percentage of Ownership | Market Value or Net Asset Value (Note 1) | |
| | Cathay Grater China Fund | - | Short-term investments | 1,000 | \$ 10,010 (Note 3) | - | \$ 7,770 | Note 7 |
| | Cathay Bond Fund | - | Short-term investments | 18,599 | 200,000 (Note 3) | - | 200,497 | Note 7 |
| | Water Land Vision Fund | - | Short-term investments | 5,000 | 50,000 (Note 3) | - | 50,000 | Note 7 |
| | Sheng Hua 2000 High Tech Fund | - | Short-term investments | 5,428 | 35,020 (Note 3) | - | 29,637 | Note 7 |
| | Sheng Hua 2008 Chinese Enterprises Fund | - | Short-term investments | 3,257 | 30,000 (Note 3) | - | 24,560 | Note 7 |
| | Sheng Hua 5599 Bond Fund | - | Short-term investments | 19,509 | 200,000 (Note 3) | - | 202,729 | Note 7 |
| | President Home Run Bond Fund | - | Short-term investments | 49,562 | 645,364 (Note 3) | - | 646,137 | Note 7 |
| | Fubon Ju-I II fund | - | Short-term investments | 13,702 | 200,000 (Note 3) | - | 203,207 | Note 7 |
| | Fubon Fu Bao fund | - | Short-term investments | 2,000 | 20,000 (Note 3) | - | 16,560 | Note 7 |
| | Truswell Tegasus Fund | - | Short-term investments | 2,000 | 20,040 (Note 3) | - | 17,260 | Note 7 |
| | Invesco Global Health Sciences Fund | - | Short-term investments | 2,000 | 20,000 (Note 3) | - | 20,000 | Note 7 |
| | Sinkong Great China Fund | - | Short-term investments | 3,000 | 30,030 (Note 3) | - | 28,200 | Note 7 |
| | Sinkong Chi-Shin Fund | - | Short-term investments | 11,410 | 150,000 (Note 3) | - | 152,316 | Note 7 |
| | Sinkong Chi-Shin Fund | - | Short-term investments | 3,746 | 50,347 (Note 3) | - | 51,285 | Note 7 |
| | NT And High Yield Fund | - | Short-term investments | 6,594 | 99,000 (Note 3) | - | 101,806 | Note 7 |
| | UBS Kangaroo Fund | - | Short-term investments | 1,500 | 15,000 (Note 3) | - | 13,470 | Note 7 |
| | ING Global Brands Fund | - | Short-term investments | 1,000 | 10,030 (Note 3) | - | 9,990 | Note 7 |
| SinoPac Securities (Cayman) Holdings Ltd. | <u>Stock</u> SinoPac Securities (Europe) Ltd. (formerly NSC Securities (Europe) Limited) | Subsidiary | Long-term equity investments | 1,000 | 45,516 | 100.00% | 46,000 | Note 4 |
| | SinoPac Securities (Asia) Ltd. (formerly NSC Securities (Asia) Ltd.) | Subsidiary | Long-term equity investments | 10 | 543,031 | 100.00% | 540,256 | Note 4 |
| | SinoPac Futures (Asia) Ltd. (formerly NSC Futures (Asia) Ltd.) | Subsidiary | Long-term equity investments | 10,000 | 78,912 | 100.00% | 78,464 | Note 4 |
| | SinoPac Capital (Asia) Ltd. (formerly NSC Capital (Asia) Ltd.) | Subsidiary | Long-term equity investments | 30,000 | 131,728 | 100.00% | 131,304 | Note 4 |
| | NSC Asia Ltd. | Subsidiary | Long-term equity investments | 1 | 425 | 100.00% | 262 | Note 4 |
| | NSC Securities (U.S.A.) Ltd. | Subsidiary | Long-term equity investments | 1.5 | 38,410 | 75.00% | 35,008 | Note 4 |
| | NITC Asset Management (Asia) Ltd. | An investee accounted for by the equity method | Long-term equity investments | 1,360 | 12,269 | 34.00% | 12,212 | Note 4 |
| SinoPac Securities (Asia) Ltd. | <u>Stock</u> SinoPac Securities (Asia) Nominees Ltd. (formerly NSC Securities (Asia) Nominees Ltd.) | Subsidiary | Long-term equity investments | 0.002 | 0.009 | 100.00% | 0.009 | Note 6 |
| | SinoPac (Asia) Nominees Ltd. (formerly NSC (Asia) Nominees Ltd.) | Subsidiary | Long-term equity investments | 0.002 | 0.009 | 100.00% | 0.009 | Note 6 |
| SinoPac Capital Management Corp. | <u>Beneficiary certificate</u> NITC Taiwan Bond Fund | - | Short-term investments | 3,931 | 51,384 (Note 3) | - | 51,384 | Note 7 |
| | NITC High-Tech Fund | - | Short-term investments | 1,496 | 11,262 (Note 3) | - | 11,262 | Note 7 |
| SinoPac Securities Co., Ltd. | <u>Stock</u> SinoPac Asset Management Corp. (B.V.I.) | Subsidiary | Long-term equity investments | 16,000 | 609,969 | 100.00% | 609,969 | Note 4 |
| | SinoPac Futures Co., Ltd. | Subsidiary | Long-term equity investments | 19,994 | 200,663 | 99.97% | 200,663 | Note 5 |
| | <u>Beneficiary certificate</u> Sheng Hua 2008 Chinese Enterprises Fund | - | Short-term investments | 1,000 | 10,000 (Note 3) | - | 7,540 | Note 7 |
| | Kgi Nova Fund | - | Short-term investments | 500 | 5,000 (Note 3) | - | 4,070 | Note 7 |
| | Far Eastern Alliance Technology Fund | - | Short-term investments | 1,000 | 10,020 (Note 3) | - | 7,410 | Note 7 |
| | Capital Asset Allocation Fund | - | Short-term investments | 870 | 10,025 (Note 3) | - | 8,878 | Note 7 |
| | Dresdner Bond DAM Fund | - | Short-term investments | 4,652 | 50,000 (Note 3) | - | 50,179 | Note 7 |
| | Tai-Yu Long River Bond Fund | - | Short-term investments | 722 | 7,900 (Note 3) | - | 7,911 | Note 7 |
| | Ta Chong Bond Fund | - | Short-term investments | 2,209 | 26,700 (Note 3) | - | 26,701 | Note 7 |
| | NT And High Yield Fund | - | Short-term investments | 19,425 | 300,000 (Note 3) | - | 300,000 | Note 7 |
| | Jf (Taiwan) New America Trust | - | Short-term investments | 3,000 | 30,120 (Note 3) | - | 28,980 | Note 7 |

(Forward)

| Held Company Name | Marketable Securities Type and Name | Relationship with the Company | Financial Statement Account | June 30, 2002 | | | | Note |
|--|-------------------------------------|-------------------------------|------------------------------|-------------------------|--------------------|----------------------------|---|--------|
| | | | | Shares (In Thousand) | Carrying Value | Percentage of Ownership | Market Value or Net Asset Value (Note 1) | |
| SinoPac Asset Management Corp. (B.V.I.) | NITC USA Technology Fund | - | Short-term investments | 1,000 | \$ 10,000 (Note 3) | - | \$ 9,870 | Note 7 |
| | ING Global Brands Fund | - | Short-term investments | 3,000 | 30,090 (Note 3) | - | 29,970 | Note 7 |
| | Dresdner Bio-Technology DAM Fund | - | Short-term investments | 2,000 | 20,000 (Note 3) | - | 20,000 | Note 7 |
| | Abnamro Global Leader Fund | - | Short-term investments | 2,000 | 20,000 (Note 3) | - | 20,000 | Note 7 |
| | <u>Stock</u> | | | | | | | |
| | SinoPac Securities (H.K.) Limited | Subsidiary | Long-term equity investments | 25,000 | 123,820 | 100.00% | 123,820 | Note 4 |
| | SP Asset Management Corp., Ltd. | Subsidiary | Long-term equity investments | 6,000 | 269,954 | 100.00% | 269,954 | Note 4 |

Note 1: Foreign-currency amounts were translated to New Taiwan dollars at the exchange rate as of the balance sheet date.

Note 2: Market prices of listed and over-the-counter stocks were determined by average daily closing prices for the last month of the accounting period.

Note 3: The amounts were before deducting related unrealized losses.

Note 4: Net asset values were based on the investees' unaudited or unreviewed financial statements for the latest period.

Note 5: Net asset values were based on the investees' audited or reviewed financial statements for the latest period.

Note 6: Net asset values were based on the carrying values.

Note 7: Market prices were determined by the closing prices of the last day of the accounting period.

Note 8: The shares included 40,535 thousand shares of treasury stock.

Note 9: The shares included 53,330 thousand shares of treasury stock.

SINOPAC HOLDINGS AND INVESTEES

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
For the Period Ended May 9 to June 30, 2002
(Amounts Expressed in Thousand New Taiwan Dollars)

| Company Name | Type and Name of Marketable Securities | Account of Financial Statement | Counterparty | Relationship | Beginning Balance | | Acquisition | | Disposal | | | | Ending Balance | |
|------------------------------------|--|--------------------------------|--|--------------|--|---------------------------|--|---------|--|--------|-------------------------------|----------------------------|--|---------------|
| | | | | | Shares/Units/ Face Value (In Thousand) | Amount | Shares/ Units/ Face Value (In Thousand) | Amount | Shares/ Units/ Face Value (In Thousand) | Amount | Carrying Value (Note 3) | Gain (Loss) on Disposal | Shares/ Units/ Face Value (In Thousand) | Amount |
| SinoPac Holdings (Note 1) | Bank SinoPac | Long-term equity investments | - | - | 1,944,398 (Note 2) | \$ 23,976,716 (Note 2) | - | \$ - | - | \$ - | \$ 3,505,224 (Note 4) | \$ - | 1,944,398 | \$ 20,471,492 |
| | SinoPac Securities Corporation | Long-term equity investments | - | - | 1,296,039 (Note 2) | 17,971,400 (Note 2) | - | - | - | - | 810,156 | - | 1,276,039 | 17,161,244 |
| | SinoPac Securities Co., Ltd. | Long-term equity investments | - | - | 317,916 | 3,595,117 | - | - | - | - | 97,457 | - | 317,916 | 3,497,660 |
| Wal Tech International Corporation | Stock Intellisys Corp. | Long-term equity investments | Gin An Investment, Ltd., Ruentex Industries Ltd., et al. | Affiliate | 2,970 | 138,027 | 7,356 | 108,861 | - | - | - | - | 10,326 | 246,888 |

Note 1: The Company is established by Bank SinoPac, SinoPac Securities Corporation (formerly NSC) and SinoPac Securities Co., Ltd. through stock conversion.

Note 2: Treasury stocks were included in the shares.

Note 3: The amount included the investment income accounted for using the equity method, cash dividends, the unrealized loss and the unrealized valuation loss on long-term equity investments, and cumulative translation adjustments recognized by the Company.

Note 4: The amount included the carrying value of treasury stock held by Bank SinoPac.

SINOPAC HOLDINGS AND INVESTEEES
 COLLATERAL PROVIDED TO OTHER PARTIES
 June 30, 2002
 (Amounts in Thousand New Taiwan Dollars)

| No. | Collateral Provider Name | Transaction Entity | | Limitation on Collateral | Maximum Balance for the Period (Thousands) | Ending Balance (Thousands) | Amount of Properties Guaranteed by Collateral | Percentage of Accumulated Amount of Collateral on Net Equity of the Latest Financial Statement (Note 4) | Amount Limited on Collateral |
|-----|--------------------------------|-------------------------------------|--|--------------------------|--|----------------------------|---|---|------------------------------|
| | | Name | Nature of the Relationship | | | | | | |
| 1 | SinoPac Securities Corporation | SinoPac Securities (Asia) Ltd. | Grandson Company of 100% of shareholding | \$ 3,432,249 (Note 5) | \$ 1,511,100 | \$ - | \$ - | \$ - | \$ 3,432,249 |
| 2 | SinoPac Leasing Corporation | Grand Capital International Limited | Subsidiary | (Note 2) | 1,906,611 (Note 1) | 1,828,670 (Note 1) | - | 1.08% | (Note 3) |
| | | Wal Tech International Corporation | Affiliate company | (Note 2) | 349,000 | 428,500 | - | 23.73% | (Note 3) |

Note 1: Foreign-currency amounts were translated to New Taiwan dollars at the exchange rate as of the balance sheet date.

Note 2: Except for no limitation applied on any subsidiaries of SinoPac Leasing Corporation, the limit on individual collateral or guarantee amounts is up to 200% of the net asset value (Note 4) of SinoPac Leasing Corporation. As of June 30, 2002, the limit amount was \$3,377,631 thousand.

Note 3: Except for no limitation applied on any subsidiaries of SinoPac Leasing Corporation, the maximum amount of collateral or guarantee amounts allowance is up to 500% of the net asset value (Note 4) of SinoPac Leasing Corporation. As of June 30, 2002, the maximum allowance was \$8,444,078 thousand.

Note 4: The net asset value of SinoPac Leasing Corporation was based on the unaudited financial statements as of June 30, 2002.

Note 5: According to SinoPac Securities Corporation's rules related to collateral, both the total amount of collateral and specified collateral provided to single party can't exceed 20% of the net asset value of SinoPac Securities Corporation.

SINOPAC HOLDINGS AND INVESTEES

FINANCING PROVIDED

For the Period from May 9, 2002 to June 30, 2002
(Amounts in Thousand New Taiwan Dollars)

| No. | Financing Name | Counter-Party | Financial Statement Account | Maximum Balance for the Period | Ending Balance | Interest Rate | Financing Reasons | Transaction Amount | Allowance for Bad Debt | Collateral | | Financing Limit for Each Borrowing Company | Financing Company's Financing Amount Limits |
|-----|------------------|-------------------------|--|--------------------------------|----------------|---------------|-------------------|--------------------|------------------------|------------|-------|--|---|
| | | | | | | | | | | Item | Value | | |
| 6 | Intellisys Corp. | Intellisoft Corporation | Receipts under custody and payment on behalf of others | \$2,984 | \$2,984 | - | Working capital | \$ - | \$ - | - | \$ - | \$20,000 (Note) | \$56,571 (Note) |

Note: The stockholders of Intellisys Corp. have approved that the limit on total financing amounts is up to 30% of the net asset value of Intellisys corp., and the limit on individual financing amounts is up to \$20,000.

SINOPAC HOLDINGS AND INVESTEEES

NAMES, LOCATIONS, AND OTHER INFORMATION OF INVESTEEES ON WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE

For the Six Months Ended June 30, 2002

(Amounts in Thousand New Taiwan Dollars, Unless Otherwise Specified)

| Investor Company | Investee Company | Location | Main Businesses and Products | Original Investment Amount | | Balance as of June 30, 2001 | | | Net Income (Loss) of the Investee (Note 1) | Recognized Gains (Loss) (Note 1) | Note |
|--|---|--------------------------|---|----------------------------|------------------------|-----------------------------|-----------------------------|-------------------------|--|----------------------------------|--------|
| | | | | May 9, 2002 (Note 1) | June 30, 2002 (Note 1) | Shares (Thousand) | Percentage of Ownership (%) | Carrying Value (Note 1) | | | |
| SinoPac Holdings | Bank SinoPac | Taipei | Commercial bank | \$ 23,976,716 | \$ - | 1,944,398 | 100.00 | \$ 20,418,977 | \$ 1,233,586 | \$ 471,849 | Note 2 |
| | SinoPac Securities Corporation | Taipei | Brokerage, dealing and underwriting of securities | 17,971,400 | - | 1,276,039 | 100.00 | 17,161,244 | 1,089,942 | 112,983 | Note 2 |
| | SinoPac Securities Co., Ltd. | Taipei | Brokerage, dealing and underwriting of securities | 3,595,117 | - | 317,916 | 100.00 | 3,550,175 | 149,455 | (64,517) | Note 2 |
| Bank SinoPac | SinoPac Bancorp | California | Stock holding Company | 2,979,015 | 2,979,015 | 20 | 100.00 | 4,326,405 | 86,799 | 86,799 | |
| | Rocorp Holding S.A. | Luxembourg | Stock holding Company | 3,531 | 3,531 | 0.11 | 33.33 | 3,531 | - | - | |
| | SinoPac Leasing Corporation | Taipei | Engaged in leasing of aircraft and machinery equipment | 999,940 | 999,940 | 149,652 | 99.77 | 1,902,129 | 88,643 | 86,239 | |
| | SinoPac Capital Limited | Hong Kong | Lending and financing | 1,001,108 | 1,001,108 | 229,998 | 99.99 | 920,594 | 8,291 | 8,291 | |
| | SinoPac Financial Consulting Co., Ltd. | Taipei | Investment advisory and business management advisory | 1,940 | 1,940 | 194 | 97.00 | 3,102 | 384 | 373 | |
| | SinoPac Securities Co., Ltd. | Taipei | Brokerage, dealing, and underwriting of securities | - | 2,944,784 | - | - | - | 149,455 | 172,385 | |
| | Aetna Sinopac Credit Card Co., Ltd. | Taipei | Credit card business | 811,037 | 811,037 | 81,104 | 49.76 | 241,937 | (204,050) | (101,529) | |
| | SinoPac Life Insurance Agent Co., Ltd. | Taipei | Life insurance agent | 1,940 | 1,940 | 194 | 97.00 | 24,118 | 22,125 | 21,461 | |
| SinoPac Property Insurance Agent Co., Ltd. | Taipei | Property insurance agent | 1,940 | 1,940 | 194 | 97.00 | 2,948 | 934 | 899 | | |
| SinoPac Bancorp | Far East National Bank | California | Commercial bank | 3,446,891 | 3,446,891 | 170 | 100.00 | 4,330,369 | 142,833 | 142,833 | Note 3 |
| Far East National Bank | Far East Capital Corporation | California | Investment bank | 117,453 | 117,453 | 350 | 100.00 | 83,683 | 5,515 | 5,515 | Note 4 |
| | FENB Securities, Inc. | California | Brokerage of securities | 839 | 839 | 3 | 100.00 | 12,374 | 6,111 | 6,111 | Note 4 |
| | FENB Loan Corp. | California | Asset management corporation | 34 | 34 | 0.1 | 100.00 | 19 | (15) | (15) | Note 4 |
| | FENB Film Corp. | California | Motion picture assets management | 34 | 34 | 0.1 | 100.00 | (22,078) | (15) | (15) | Note 4 |
| SinoPac Leasing Corporation | Grand Capital International Limited | British Virgin Islands | Oversea trading, leasing, lending and financing | 914,066 | 914,066 | 29,900 | 100.00 | 1,228,354 | 49,293 | 49,293 | Note 5 |
| SinoPac Capital Limited | SinoPac Capital (B.V.I.) Ltd. | British Virgin Islands | Financial advisory | 149,333 | 149,333 | 4,450 | 100.00 | 156,897 | 4,060 | 4,060 | Note 6 |
| SinoPac Capital (B.V.I.) Ltd. | Cyberpac Holding Ltd. (B.V.I.) | British Virgin Islands | Investment and advisory business | 0.067 | 0.067 | 0.002 | 100.00 | (51,375) | (14,816) | (14,816) | Note 7 |
| | Allstar Venture Ltd. (B.V.I.) | British Virgin Islands | Investment corporation | 0.067 | 0.067 | 0.002 | 100.00 | (113,550) | (17,237) | (17,237) | Note 7 |
| | Shanghai International Asset Management (Hong Kong) Co., Ltd. | Hong Kong | Asset management corporation | 43,021 | 43,021 | 4,800 | 60.00 | 32,850 | 126 | (1,528) | Note 7 |
| | Pinnacle Investment Management Ltd. | Hong Kong | Asset management corporation | 6,712 | 6,712 | 200 | 99.9995 | 4,155 | (1,250) | (1,250) | Note 7 |
| Cyberpac Holding Ltd. (B.V.I.) | Wal Tech International Corporation | Taipei | Leasing, international trading, and sale of machinery equipment | 129,830 | 54,934 | 12,497 | 99.98 | 98,554 | (5,992) | (6,191) | Note 8 |
| | BSP Venture Management (B.V.I.) Ltd. | British Virgin Islands | Investment management corporation | 1,678 | 1,678 | 50 | 100.00 | 1,122 | (15) | (15) | Note 8 |
| | Telexpress Corp. | Cayman Islands | Investment corporation | 52,350 | 52,350 | 3,900 | 34.21 | 51,418 | 1,247 | (139) | Note 8 |
| Wal Tech International Corporation | Intellisys Corp. | Taipei | Computer and peripheral system integration engineering, software development and design | 258,836 | 148,500 | 10,326 | 62.58 | 246,888 | 1,889 | (1,475) | Note 9 |
| | Mutiwin Asset Management Co., Ltd. | Taipei | Asset management corporation | 18,000 | 18,000 | 1,800 | 30.00 | 7,495 | (6,617) | (543) | Note 9 |
| | Monmon Medza Technology | Taipei | Software products retail and distribution service | 5,980 | 5,980 | 598 | 32.39 | 4,818 | (3,757) | (1,211) | Note 9 |

(Forward)

| Investor Company | Investee Company | Location | Main Businesses and Products | Original Investment Amount | | Balance as of June 30, 2001 | | | Net Income (Loss) of the Investee (Note 1) | Recognized Gains (Loss) (Note 1) | Note |
|---|---|-------------------------------------|---|----------------------------|------------------------|-----------------------------|-----------------------------|-------------------------|--|----------------------------------|---------|
| | | | | May 9, 2002 (Note 1) | June 30, 2002 (Note 1) | Shares (Thousand) | Percentage of Ownership (%) | Carrying Value (Note 1) | | | |
| Intellisys Corp. | Intellisoft Corporation | Western Samoa | Stock holding company | \$ 16,779 | \$ 16,779 | 500 | 100.00 | \$ 15,248 | (\$ 91) | (\$ 91) | Note 10 |
| Intellisoft Corporation | Intellisys Shanghai Corporation | Shanghai | Computer and peripheral system integration engineering, software development and design | 10,067 | - | 300 | 100.00 | 10,067 | - | - | Note 11 |
| SinoPac Securities Corporation | SinoPac Futures Corp. | Taipei | Brokerage of futures contracts | 353,480 | 353,480 | 35,348 | 88.37 | 378,981 | 14,666 | 10,885 | Note 12 |
| | SinoPac Securities (Cayman) Holdings Ltd. | Cayman Islands, British West Indies | Investment holding company | 733,226 | 652,772 | 22,100 | 100.00 | 835,146 | 58,287 | 58,287 | Note 12 |
| | SinoPac Capital Management Corp. | Taipei | Investment consulting | 144,864 | 122,354 | 20,887 | 99.46 | 211,981 | (10,688) | (10,712) | Note 12 |
| SinoPac Securities (Cayman) Holdings Ltd. | SinoPac Securities (Europe) Ltd. | London, UK | European agent business | 50,807 | 26,914 | 1,000 | 100.00 | 45,516 | 2,327 | - | Note 13 |
| | SinoPac Securities (Asia) Ltd. | Hong Kong | Hong Kong stock brokerage | 434,274 | 434,274 | 10 | 100.00 | 543,031 | 53,981 | - | Note 13 |
| | SinoPac Futures (Asia) Ltd. | Hong Kong | Futures brokerage business | 40,437 | 40,437 | 10,000 | 100.00 | 78,912 | 591 | - | Note 13 |
| | SinoPac Capital (Asia) Ltd. | Hong Kong | IPO underwriting business | 129,601 | 129,601 | 30,000 | 100.00 | 131,728 | 938 | - | Note 13 |
| | NSC Asia Ltd. | British Virgin Islands | Derivatives instruments business | 24,967 | 24,967 | 1 | 100.00 | 425 | 139 | - | Note 13 |
| | NSC Securities (U.S.A.) Ltd. | California | Collecting and analyzing financial market information | 50,337 | - | 1.5 | 75.00 | 38,410 | (5,176) | - | Note 14 |
| | NITC Asia Management (Asia) Ltd. | Hong Kong | Asset management and investment consulting | 5,302 | 5,302 | 1,360 | 34.00 | 12,269 | 7,086 | - | Note 14 |
| SinoPac Securities (Asia) Ltd. | SinoPac Securities (Asia) Nominees Ltd. | Hong Kong | Hong Kong stock trust business | 0.009 | 0.009 | 0.002 | 100.00 | 0.009 | - | - | Note 15 |
| | SinoPac (Asia) Nominees Ltd. | Hong Kong | Nominee trust account for oversea stock holdings | 0.009 | 0.009 | 0.002 | 100.00 | 0.009 | - | - | Note 15 |
| SinoPac Securities Co., Ltd. | SinoPac Asset Management Corp. (B.V.I.) | British Virgin Islands | Securities brokerage and investment advisory | 524,857 | 524,857 | 16,000 | 100.00 | 609,969 | 104,716 | 104,716 | Note 16 |
| | SinoPac Futures Co., Ltd. | Taipei | Brokerage of Futures | 199,940 | 199,940 | 19,994 | 99.97 | 200,663 | 70 | 21 | Note 16 |
| SinoPac Asset Management Corp. (B.V.I.) | SinoPac Securities (H.K.) Limited | Hong Kong | Securities brokerage, investment advisory, fund management and security business | 103,982 | 103,982 | 25,000 | 100.00 | 123,820 | 33,223 | 33,223 | Note 17 |
| | SP Asset Management Co., Ltd. | British Virgin Islands | Securities brokerage, investment advisory and consulting business | 200,032 | 200,032 | 6,000 | 100.00 | 269,954 | 84,388 | 84,388 | Note 17 |

Note 1: Except for foreign currency denominated income and expenses were translated to New Taiwan dollars at the average exchange rate for the six months ended June 30, 2002, other foreign-currency amounts were translated at the exchange rate as of the balance sheet date.

Note 2: The Company recognized the investment income for the period from May 9 to June 30, 2002.

Note 3: A subsidiary of SinoPac Bancorp, and the investment information of percentage of ownership and the carrying value is related to SinoPac Bancorp.

Note 4: A subsidiary of Far East National Bank, and the investment information of percentage of ownership and the carrying value is related to Far East National Bank.

Note 5: A subsidiary of SinoPac Leasing Corporation, and the investment information of percentage of ownership and the carrying value is related to SinoPac Leasing Corporation.

Note 6: A subsidiary of SinoPac Capital Limited, and the investment information of percentage of ownership and the carrying value is related to SinoPac Capital Limited.

Note 7: A subsidiary of SinoPac Capital (B.V.I.) Ltd., and the investment information of percentage of ownership and the carrying value is related to SinoPac Capital (B.V.I.) Ltd.

Note 8: A subsidiary of Cyberpac Holding Ltd., and the investment information of percentage of ownership and the carrying value is related to Cyberpac Holding Ltd.

Note 9: An investee of Wal Tech International Corporation, and the investment information of percentage of ownership and the carrying value is related to Wal Tech International Corporation.

Note 10: A subsidiary of Intellisys Corp., and the investment information of percentage of ownership and the carrying value is related to Intellisys Corp.

Note 11: No income (or loss) information about Intellisys Shanghai Corporation can be acquired because this company has been in the development stage for the period ended June 30, 2002.

Note 12: A subsidiary of SinoPac Securities Corporation, and the investment information of percentage of ownership and the carrying value is related to SinoPac Securities Corporation.

Note 13: A subsidiary of SinoPac Securities (Cayman) Holdings Ltd., and the investment information of percentage of ownership and the carrying value is related to SinoPac Securities (Cayman) Holdings Ltd.

Note 14: An investee of SinoPac Securities (Cayman) Holdings Ltd., and the investment information of percentage of ownership and the carrying value is related to SinoPac Securities (Cayman) Holdings Ltd.

Note 15: A subsidiary of SinoPac Securities (Asia) Ltd., and the investment information of percentage of ownership and the carrying value is related to SinoPac Securities (Asia) Ltd.

Note 16: A subsidiary of SinoPac Securities Co., Ltd., and the investment information of percentage of ownership and the carrying value is related to SinoPac Securities Co., Ltd.

Note 17: A subsidiary of SinoPac Asset Management Corp. (B.V.I.), and the investment information of percentage of ownership and the carrying value is related to SinoPac Asset Management Corp. (B.V.I.).